



Office of Inspector General
U.S. General Services Administration

Semiannual Report to the Congress

April 1, 2007 – September 30, 2007

GSA's SIGNIFICANT MANAGEMENT CHALLENGES

The Congress requested the Inspectors General of major Federal agencies to report on the most significant management challenges facing their respective agencies. Our strategic planning process commits us to addressing these critical issues. The following table briefly describes the challenges we have identified for GSA and references related work products issued by the GSA OIG and discussed in this semiannual report.

CHALLENGES	BRIEF DESCRIPTION OF CHALLENGE	PAGE
ACQUISITION PROGRAMS	Merging GSA's procurement organizations will yield a single acquisition service that will award and administer governmentwide contracts worth \$40 to \$50 billion. With growing programs and shrinking numbers of qualified acquisition personnel, attention to important fundamentals, such as ensuring competition and meaningful price analysis, has diminished.	2 – 5
CONTRACT MANAGEMENT	GSA's multibillion dollar acquisition programs have expanded rapidly in terms of sales, variety, and complexity of the procurements performed. A growing list of warning signs throughout the acquisition process suggests that the technical and management skills needed by the procurement workforce to operate in this more sophisticated arena are not keeping pace with these new demands.	6 – 7
INFORMATION TECHNOLOGY	Technology applications have increased exponentially as "E-Gov" is used to better manage operations and interface with the public, but complex integration and security issues exist.	7 – 12
MANAGEMENT CONTROLS	Management controls have been streamlined, resulting in fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed. The need for strong internal controls underlies several of the other management challenges.	12 – 19
PROTECTION OF FEDERAL FACILITIES AND PERSONNEL	GSA is responsible for protecting the life and safety of employees and public visitors in Federal buildings. The increased risks from terrorism have greatly expanded the range of vulnerabilities. A broadly integrated security program is required.	19 – 22
HUMAN CAPITAL	GSA has an aging workforce and is facing significant loss of institutional knowledge due to retirements, including a loss of key management staff over the past year. Better recruitment and training programs are needed to develop the 21 st century workforce.	No Reports This Period
AGING FEDERAL BUILDINGS	GSA is being challenged to provide quality space to Federal agencies using an aging, deteriorating inventory of buildings and facing critical budgetary limitations in its modernization program.	No Reports This Period

Foreword

I am pleased to provide this report to the people of the United States and their elected representatives in Congress. The Office of Inspector General (OIG) at GSA has been working successfully to identify waste, fraud, and abuse in the programs and operations of GSA. For the period covered by this semiannual report (SAR), almost \$648 million has been identified as funds recommended for better use and questioned costs. The OIG has issued 64 audit reports. We have also made 285 referrals for criminal prosecution, civil litigation, and administrative action—activities valuable in their own right, as well as for their deterrent effect. In this reporting period we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totalling over \$293 million. Those results provided to the American taxpayer a return of many times the cost of OIG operations.

We continue to work with other OIGs and law enforcement agencies as part of the National Procurement Fraud Task Force of which I serve as Vice Chair. As Co-Chair of the Legislative Committee, I oversaw the production of a draft white paper on procurement legislation. The OIG also participates with the United States Attorney's offices across the country in regional procurement fraud working groups. As we carry out all our duties, we endeavor to assist GSA to accomplish its important mission in an efficient manner and to observe all applicable requirements.

I want to express my appreciation for the steady record of accomplishment of OIG employees and commend them for their continued professionalism, dedication, and performance in a manner that fulfills their oaths to uphold the law. I also wish to express my appreciation to Congress, OMB, and to the employees throughout GSA who support the efforts of the OIG.



*Brian D. Miller
Inspector General
October 31, 2007*

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This semiannual report may be accessed on the Internet at the following address: <http://www.gsa.gov/inspectorgeneral>

Summary of OIG Performance

April 1, 2007 – September 30, 2007

OIG Accomplishments

Total financial recommendations \$647,962,590

These include:

- Recommendations that funds be put to better use \$644,900,875

- Questioned costs \$3,061,715

Audit reports issued 64

Referrals for criminal prosecution, civil litigation, and administrative action 285

Results Attained

Management decisions agreeing with audit recommendations, civil settlements, and court-ordered and investigative recoveries \$293,652,995

Indictments and informations on criminal referrals 72

Cases accepted for criminal prosecution 32

Cases accepted for civil action 4

Successful criminal prosecutions 72

Civil settlements 4

Contractors/individuals suspended and debarred 47

Employee actions taken on administrative referrals involving GSA employees 12

Fiscal Year 2007 Results

During Fiscal Year (FY) 2007, OIG activities resulted in:

- Over \$901.1 million in recommendations that funds be put to better use and in questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- 137 audit reports that assisted management in improving the efficiency and effectiveness of Agency operations.
- Over \$604.8 million in management decisions agreeing with audit recommendations; \$114 million in criminal, civil, administrative, and other recoveries.
- 269 new investigations opened and 240 cases closed.
- 77 case referrals (183 subjects) accepted for criminal prosecution and 25 case referrals (42 subjects) accepted for civil litigation.
- 129 criminal indictments/informations and 104 successful prosecutions on criminal matters referred.
- 9 civil settlements.
- 25 employee actions taken on administrative referrals involving GSA employees.
- 47 contractor/individual suspensions and 108 contractor/individual debarments.
- 384 legislative matters and 26 regulations and directives reviewed.
- 2,642 Hotline calls and letters received of which 80 were referred for criminal or civil investigations, 80 were referred to other agencies for follow up, and 187 were submitted to GSA for review and appropriate administrative actions.

Executive Summary

During this semiannual period, the OIG continued to direct its auditing and investigative resources toward what we have identified as the major management challenges facing GSA. We conducted audit reviews and investigations to ensure the integrity of the Agency's financial statements, programs, and operations, and to ensure that the taxpayers' interests were being protected. The OIG also continued to initiate actions to prevent fraud, waste, and abuse, and to promote economy and efficiency throughout GSA.

The OIG's resources have been directed specifically toward conducting preaward, financial, and programmatic audits; management control assessments; contract reviews; investigations of fraud, abuse, and related actions by GSA employees and government contractors; litigation support in civil fraud, enforcement actions, criminal prosecutions, contract claims, and administrative actions, all in an effort to maintain the integrity of GSA programs.

Management Challenges

The following are significant reviews and cases that we have identified as major issues facing GSA. The OIG continued to strive to provide the high level of quality in our reviews and recommendations that we are known for and which we believe are necessary in order for GSA to continue leading the government in contracts and procurements. During this semiannual period, the focus has been on preaward contract reviews, acquisition programs, contract management, management controls, protection of Federal facilities and personnel, information technology (IT), civil actions, and criminal actions.

Acquisition Programs

The OIG's preaward review program provides information to contracting officers for use in negotiating contracts. The predecisional, advisory nature of preaward reviews distinguishes them from other audits. This program provides vital and current information to contracting officers enabling them to significantly improve the government's negotiating position and to realize millions of dollars in savings on negotiated contracts. This period, the OIG performed preaward reviews of 42 contracts with an estimated value of \$12 billion. We recommended that approximately \$645 million of funds be put to better use (page 2).

Contract preaward
review program

Under the Multiple Award Schedules Program (Schedules program), GSA's Federal Acquisition Service (FAS) establishes long-term governmentwide contracts with vendors to provide Federal agencies access to over 10 million commercial supplies and services. We reviewed whether FAS was effectively managing the workload associated with processing contract actions (offers and modifications, including options to extend existing contracts) in the Schedules program. We assessed workload distribution, contracting action compliance with standards, cycle time, and general management of program costs.

MAS contract workload
management

Executive Summary

We found that decisions on workload distribution could be enhanced with better data. Further, better usage of resources could be achieved through a strategic approach to managing the Schedules program.

Our review of contract file documentation indicated that the acquisition centers generally complied with administrative policies and procedures related to approvals and followed center templates for exercising contract options. However, FAS could improve consistency and effectiveness in achieving best value for customer agencies and taxpayers by: (1) improving guidance to contracting personnel that describes specific documentation requirements related to price analysis, and policies and techniques related to negotiations, and (2) establishing performance measures that evaluate contracting personnel's verification of vendor commercial sales practices and disclosures, effectiveness in analyzing prices and conducting negotiations, and consideration of field pricing assistance (page 3).

Contract Management

Uncollected airline ticket refunds

FAS's Audit Division administers unused airline ticket refund requests for all Federal client agencies. It has responsibility to identify and recover overcharges and debts relating to transportation bills, including airline tickets, and has the authority to seek refunds of unused tickets purchased for government travel for a period of up to 10 years.

Two Government Accountability Office (GAO) audit reports in 2004 and 2006 disclosed that a significant number of unused tickets existed at the Department of Defense (DoD) and the Department of State valued at over \$100 million. Both agencies sought FAS's assistance as the government's collection agent to seek refunds for over 85,000 unused or partially used tickets valued at nearly \$56 million during calendar years 2005 and 2006, based on information furnished by the airlines.

As a result of the GAO reports, we initiated a limited scope review of FAS's Audit Division and determined that although controls and procedures were generally adequate over administering receipts for unused airline tickets, the process for refund collections needed significant improvements. We found that the Audit Division was unable to identify the amount of refunds received and that it had not collected on the claimed amount of \$56 million due from the airlines for DoD and State Department (page 6).

Information Technology (IT)

E-mail and database security

GSA's Electronic Messaging Services (GEMS) and National Notes Infrastructure (GNNI) provide the Agency with a valuable suite of tools including e-mail, electronic calendar, Web site development and maintenance, and database creation for sharing information and documents. GEMS is GSA's e-mail system (Lotus Notes) and the GSA Chief Information Officer (GSA-CIO) has overall management responsibility for GEMS. GSA Services and Staff Offices and Regions use approximately 8,000 Lotus

Executive Summary

Notes databases for such activities as contract management, managing building construction, processing system helpdesk requests, tracking status of background investigations on employees and contractors, and maintaining personnel information. Our review focused on whether GSA has adequate security controls to manage risks with agencywide GEMS and GNNI applications. We found that significant management, operational, and technical control weaknesses have put at risk the security of essential information, services, and systems in the Agency (page 8).

GSA's IT security program

The Federal Information Security Management Act of 2002 (FISMA) requires Federal agencies to develop, implement, and document an agencywide information security program. While GSA continues to improve the IT Security Program, the conditions that we found during this review indicate that management actions have not been fully effective in mitigating risks and securing GSA systems. We found that GSA IT system security risks and related controls are not comprehensively addressed for all applications, data repositories, and services within system boundaries. Also, oversight of contractor-supported systems needs to be more comprehensive. Additionally, opportunities exist to strengthen configuration management. Recurring conditions in GSA's IT Security Program have exposed the Agency's information assets to undue risks of inappropriate disclosure, destruction, and alteration.

Our assessment results on the effectiveness of GSA's IT Security Program for meeting the FISMA requirements were based on separate audits of the following four systems: (1) Region 8 Public Buildings Service (PBS) local area network (LAN); (2) the Fleet Management System (FMS); (3) GSAjobs; and (4) Region 8 Federal Technology Service (FTS) LAN (page 9).

Management Controls

Delegated leasing authority

The focus of the review was to determine whether leasing actions that were performed by customer agencies under delegations of authority from GSA were awarded in accordance with applicable laws, regulations, and policies and procedures.

Although GSA encourages all Federal agencies to use PBS as their leasing agent for general-purpose space, GSA can delegate its leasing authority to allow an agency to perform a specific leasing action without the assistance of PBS personnel. In accordance with lease delegation procedures, delegated agencies are responsible for complying with all applicable rules, laws, and regulations related to awarding leases. In addition to compliance with laws and regulations, the lease delegations have other restrictions, such as: (1) the annual rental cannot exceed prospectus limitations; and (2) agencies are to provide PBS with award information on delegated leases.

Executive Summary

We found that many of the leasing actions we reviewed, especially some large leasing actions, did not comply with all applicable policies, laws, and regulations. We reviewed 25 delegated lease procurements made from Fiscal Year (FY) 2001 through FY 2006. Eighteen (72 percent) had one or more deficiencies. The deficiencies included potential prospectus violations, excessive rental rates and other lease costs, violations of delegated lease authority, and inadequately documented lease files (page 13).

Procurement irregularities

During a nationwide audit of Reimbursable Work Authorizations (RWA), we identified evidence of procurement irregularities in GSA's National Capital Region that we brought to regional management's attention through a separate report. An RWA is a binding agreement between GSA and its customer and is used to acquire such things as space alterations or overtime utilities required by the customer agency. The agreement is defined in the RWA by including the scope of services requested and the specific dollar amount authorized.

The irregularities were associated with GSA's procurement of support staff on behalf of the U.S. Marshals Service and included out-of-scope purchase orders, issuance of purchase orders after the commencement of work, and lack of competition without requisite justifications. Further, a lack of controls over the process allowed the irregularities to occur by accepting the RWAs without an identified requirement, a defined scope, and a cost estimate. These RWAs also were accepted in advance of their use, and in certain cases crossed fiscal years (page 14).

Freight Management Program

The Federal Property and Administrative Services Act of 1949 designated GSA as traffic manager for Federal agencies and the only agency authorized to negotiate with transportation carriers on behalf of civilian agencies. The Freight Management Program provides a framework for fulfilling the domestic and international freight shipping requirements of Federal agencies. Our audit objectives were to determine if the organization ensures competitive rates that provide best value to the Federal user, and agencies are remitting the Industrial Funding Fee (IFF) in an accurate, complete, and timely manner. We found that inherent control weaknesses in collecting sales and revenue data restrict the Travel and Transportation Management Division's ability to manage its program to ensure best value for its customer agencies and ensure that the IFF is remitted in an accurate, complete, and timely manner (page 15).

HOTD operations and finances

We conducted a review of GSA's Heating Operation and Transmission District (HOTD), a steam and chilled water utility service to government and quasi-government customers in the National Capital Region to determine if HOTD operates and uses its assets economically, efficiently, and securely. We included a review of how HOTD determines the rate it bills customers.

Executive Summary

We identified several areas of concern: (1) HOTD's rate setting methodology was not designed to recover key costs and the current account structure is an impediment to analyzing costs; (2) anticipated energy savings from an investment in the plant were not achieved; (3) the backup facility for the Central Plant was decommissioned in FY 2000 and a strategy is needed for addressing this unused building and for providing a backup facility; and (4) several accounting issues needed to be addressed (page 16).

Sole source janitorial services

The Public Buildings Service, Golden Gate Office (GGO), a field office under the direction of the San Francisco Service Center in the Pacific Rim Region, is responsible for managing five government-owned buildings and 24 leased buildings. Our review objectives were to determine whether the GGO: (1) made prudent procurements in accordance with laws, regulations, and established policy and controls; and (2) effectively performed contract administration duties.

We found that contract administration was generally effective and assured that the quality and quantity of goods and services received were what the government ordered for the majority of the audited items. However, we were unable to determine whether the government received adequate quality and quantity for janitorial services and procurements involving three sole source awards because monthly surveillance reports on contractor performance were not prepared. Also, file documentation was lacking to support fair and reasonable pricing for those awards (page 18).

Homeland Security Presidential Directive 12

Protection of Federal Facilities and Personnel

Homeland Security Presidential Directive 12 (HSPD-12) mandates a common standard for identification credentials to be used by all Federal employees and contractors to gain physical and logical access to federally-controlled facilities and information systems. This directive is intended to enhance security, reduce identify fraud, increase the efficiency of identity proofing and verification, and protect the personal privacy of those issued government credentials. Agency implementation necessitates revising current processes to meet the National Institute of Standards and Technology's provisions published in the Federal Information Processing Standards Publication 201. The standards require a revision of identity proofing and the issuance of a Personal Identity Verification (PIV II) card that uses smart card technology. To implement HSPD-12, the Office of Management and Budget (OMB) outlined major milestones in a FY 2005 memorandum. Our review objective was to analyze whether actions underway are adequate to meet OMB requirements and timeframes. We determined that GSA met the first and second milestones by developing supplemental Agency policy, formalizing background investigation processing requirements, and starting to deploy PIV II compliant cards. However, we found that GSA would likely not meet the October 27, 2007 deadline

Executive Summary

requiring the issuance of PIV II compliant cards to all contractor personnel, and to all employees with 15 years or less of service. Obstacles impacting GSA's implementation efforts include the late award of a contract for issuing physical access cards and the contractor's limited production capability, the absence of a centralized database for contractor information, and the need for a detailed implementation plan (page 20).

Promoting and Protecting Integrity

Significant Civil Actions

In two separate agreements signed on July 30, 2007, International Business Machines Corporation (IBM) agreed to pay \$2,972,039 and PriceWaterhouseCoopers LLP, agreed to pay \$2,316,662 to settle their potential civil False Claims Act liability relating to allegations made by private individuals in a *qui tam* case that the two companies, in their role as information technology systems integrators, defrauded the government. The government's investigation determined that the two companies were involved in various undisclosed alliance relationships with hardware and software manufacturers, and that the financial transactions and rebates based on those relationships constituted illegal kickbacks and conflicts of interest that violated the companies' GSA contracts, as well as the Federal Acquisition Regulation (page 23).

The Sigmon Group, LLC (TSG) pled guilty to submitting false and fraudulent invoices to the U.S. Navy for work completed under various task orders issued by the U.S. Navy through its multiple award schedule contract with GSA. TSG agreed to pay \$1,055,243 to the government (\$642,073 as criminal restitution), and was sentenced to 5 years probation and a criminal fine of \$750,000 (page 23).

Significant Criminal Actions and Investigations

Bribery

In three cases involving over \$180,000 in bribes and conspiracy, OIG investigators successfully obtained judgments of over \$1.4 million in restitution. A former GSA Regional Office FTS IT Director accepted bribes for improperly awarding and inflating task orders. A Veterans Administration employee used his position to obtain supplies and services through two companies in which he had financial interests. A former National Guard employee and an ex-Federal sales representative conspired to improperly purchase equipment (page 24).

Ethics

OIG investigators pursued two cases involving possible violations of ethics regulations. A former Army National Guard employee pled guilty to acts affecting a personal financial interest. In another case, the GSA Administrator may have failed to act impartially and created the appearance of providing preferential treatment in the awarding of a contract (page 25).

Fraud

In five cases involving \$338,165 in kickbacks and \$788,875 in fraudulently secured government contracts OIG investigators successfully obtained judgments of almost \$1.2 million in restitution. A GSA contractor employee

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and a subcontractor pled guilty to conspiracy to commit mail fraud and aiding and abetting. In another case, two GSA contractor employees pled guilty to defrauding the government. A former vice president of a communications company pled guilty to social security fraud. The last of the eight individuals involved in the conspiracy to commit mail fraud, wire fraud, and aggravated identity theft was sentenced and ordered to pay restitution. A GSA contractor employee was convicted of time and attendance fraud (page 26).

Theft

In three cases involving over \$502,000 in theft of government property OIG investigators successfully obtained judgments of over \$580,000 in fines and restitution and a total of over 2 years confinement, 13 years probation, and 350 hours of community service. A GSA employee stole knives and utility tools and resold them. In another case five former contract employees stole government property and sold it on eBay. A former GSA employee failed to return government property upon termination (page 29).

GSA Voyager Fleet Charge Card (Fleet card) Abuse – Highlights

In 13 separate cases involving abuse of Fleet cards OIG investigators obtained judgments of over \$117,000 in restitution and fines, over 2 years confinement, 15 years supervised release and probation, and 10 hours of community service. In another case the last individual involved in a scheme to counterfeit Fleet cards was sentenced to 5 years confinement, 5 years probation, fines, and court costs (page 30).

Suspension and Debarment – Highlights

GSA has a responsibility to ascertain whether the people or companies they do business with are eligible to participate in federally assisted programs and procurements, and that they are not considered "excluded parties." The OIG has made it a priority to assist GSA in ensuring that the government does not award contracts to individuals or companies that lack business integrity or honesty.

During this reporting period, the OIG made 71 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy; subsequently, GSA issued 47 suspension and debarment actions based on current and previous OIG referrals (page 33).

Integrity Awareness – Highlights

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse and to reinforce employees' roles in helping to ensure the integrity of Agency operations.

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This period, we presented 33 briefings attended by 648 regional and Central Office employees. The briefings explained the statutory mission of the OIG and methods available for reporting suspected instances of wrongdoing (page 33).

OIG Hotline – Highlights

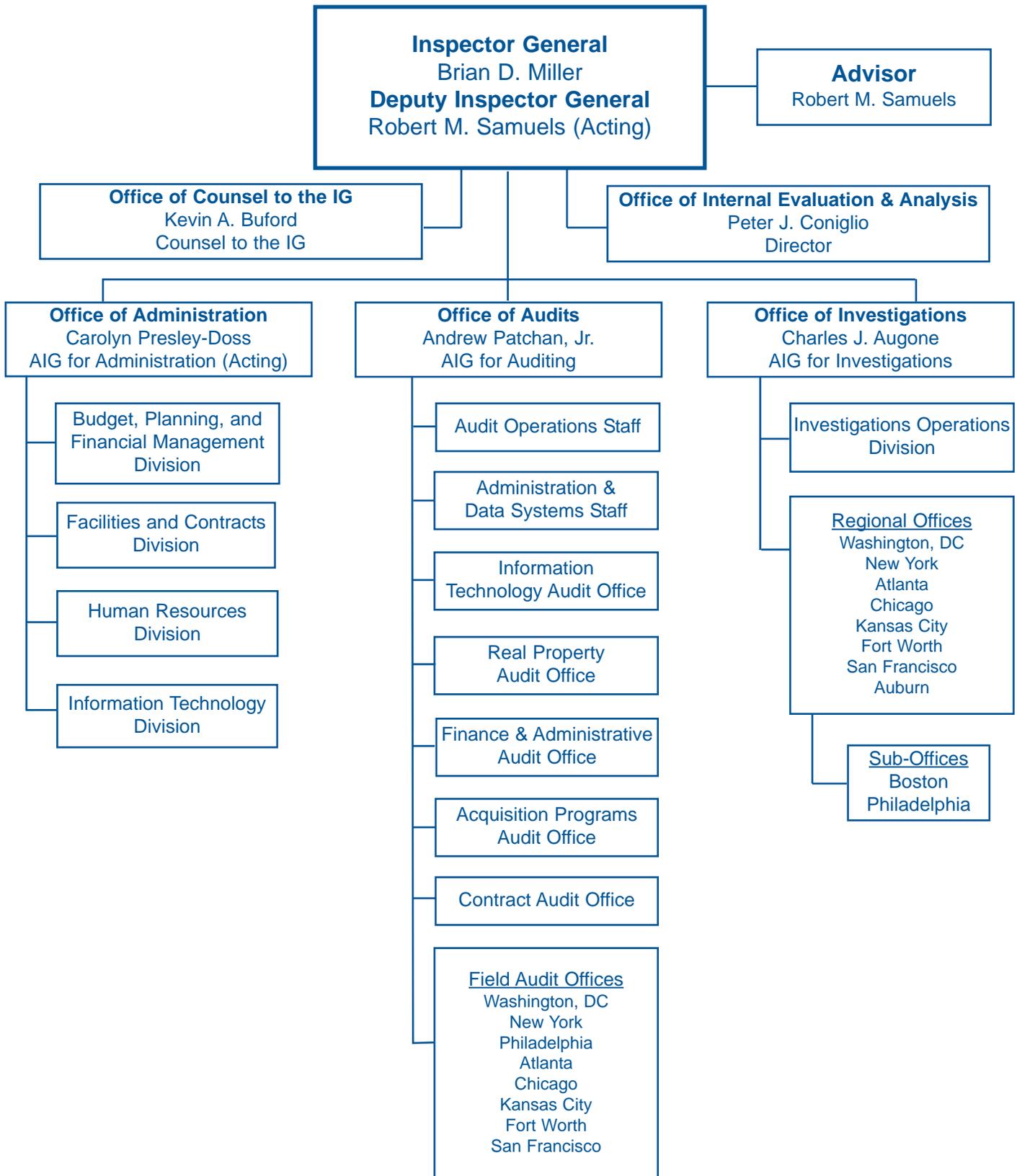
The OIG received 1,407 Hotline contacts during this reporting period. Of these contacts: 219 cases were initiated. Of these cases 15 were referred to GSA program officials for review and action; 38 cases were referred to other Federal agencies for follow up; and, 44 were referred to OIG for criminal/civil investigations or audits (page 34).

Summary of Results

The OIG made almost \$648 million in financial recommendations to better use government funds; made 285 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 248 legislative and regulatory actions; and received 1,407 Hotline contacts. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$293 million.

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OIG Organization Chart



OIG Profile

The GSA OIG was established on October 1, 1978 as one of the original 12 OIGs created by the Inspector General Act of 1978. The OIG's five components work together to perform the missions mandated by Congress.

Organization

The OIG provides nationwide coverage of GSA programs and activities. Our components include:

- **The Office of Audits**, an evaluative organization staffed with auditors and analysts who provide comprehensive coverage of GSA operations through program performance reviews, assessment of management controls, and financial and compliance audits. The office conducts external reviews in support of GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions. The office also provides research, benchmarking, and other services to assist Agency managers in evaluating and improving their programs.
- **The Office of Investigations**, an investigative organization that conducts a nationwide program to prevent, detect, and investigate illegal and/or improper activities involving GSA programs, operations, and personnel.
- **The Office of Counsel**, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG legislative/regulatory review.
- **The Office of Internal Evaluation and Analysis**, a multidisciplinary staff that manages operational reviews of the OIG components, performs special projects for the Inspector General, including research and analysis, provides advice to the Inspector General, and conducts internal affairs reviews and investigations.
- **The Office of Administration**, a professional staff that provides information technology, budgetary, administrative, personnel, and communications support and services to all OIG offices.

Office Locations

The OIG is headquartered in Washington, DC, at GSA's Central Office Building. Field audit and investigation offices are maintained in Boston, New York, Philadelphia, Atlanta, Chicago, Kansas City, Fort Worth, San Francisco, Auburn, and Washington, DC. (A contact list of OIG offices and key officials is provided in Appendix VI.)

Staffing and Budget

As of September 30, 2007, our on-board strength was 299 employees. The OIG's Fiscal Year (FY) 2007 budget was \$53.5 million.

Management Challenges

Each year since 1998, we have identified and shared with Congress and senior GSA management what we believe to be the major challenges facing the Agency. (The current list is summarized on the front inside cover.) This period we continued our work in addressing these challenges, making recommendations, and working with management to improve Agency operations. The following sections highlight our activities in these areas.

Acquisition Programs

GSA provides Federal agencies with products and services valued in the billions of dollars through various types of contracts. We conduct reviews of these activities to ensure that the taxpayers' interests are protected.

Significant Preaward Reviews and Other Audits

The OIG's preaward review program provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward reviews distinguishes them from other audits. This program provides vital and current information to contracting officers, enabling them to significantly improve the government's negotiating position and to realize millions of dollars in savings on negotiated contracts.

This period, the OIG performed preaward reviews of 42 contracts with an estimated value of \$12 billion. We recommended that over \$644 million of funds be put to better use.

Two of the more significant Multiple Award Schedule contracts we reviewed had projected governmentwide sales totaling \$5.9 billion. The review findings recommended that \$419 million in funds be put to better use. The reviews disclosed that these vendors offered prices and discounts to GSA that were not as favorable as the prices and discounts other customers received from these vendors. For example, one company did not disclose its actual sales practices, and its offer to GSA was not reflective of the company's most favored customer pricing. The other company's disclosures were inaccurate, incomplete, and misleading, and its offer was not consistent with prices offered to its other customers comparable to GSA.

There are now more than 10,000 vendors doing over \$35 billion in business annually under GSA's procurement programs. Past history has shown that for every dollar invested in preaward contract reviews, at least \$10 in lower prices or more favorable terms and conditions are attained for the benefit of the government and the taxpayer. The Office of Management and Budget (OMB) has long recognized the increasing dollar value of GSA's contract activities and our limited resources in providing commensurate audit coverage. Through the Federal Acquisition Service (FAS) contract program revenue, OMB officials have provided us additional financial support to increase our work in this area. These funds enabled us to hire additional staff to support expanded contract review activities including, primarily, an

Over \$644 million in savings could be achieved through lower contract prices.

Management Challenges

Acquisition Programs (continued)

increase in preaward contract reviews, as well as more contract performance reviews that evaluate contractors' compliance with pricing, billing, contract terms, and periodic program evaluations to assess the efficiency, economy, and effectiveness of contracting activities. We now allocate about 50 percent of our resources to contract reviews.

During this reporting period, management decisions were made on 36 of the preaward reports issued during the last year, which recommended that more than \$283 million of funds be put to better use. Management agreed with 99 percent of the recommended savings.

MAS Contract Workload Management

Under the Multiple Award Schedules Program (Schedules program), GSA's FAS establishes long-term governmentwide contracts with vendors to provide Federal agencies access to over 10 million commercial supplies and services. From FY 1999 through FY 2006, schedule sales increased from \$10.5 billion to \$35.1 billion. During FY 2006, personnel in GSA's nine acquisition centers processed 4,929 offers and 22,783 contract modifications. As of FY 2006, 529 people comprise the Schedules program staff.

The focus of the review was to determine if FAS was effectively managing the workload associated with processing contract actions (offers and modifications, including options to extend existing contracts) in the Schedules program. We assessed workload distribution, contracting actions compliance with standards, cycle time, and general management of program costs.

We found that decisions on workload distribution could be enhanced with better data. Further, better usage of resources could be achieved through a strategic approach to managing the Schedules program. FAS management uses an automated system, FSS Online, to assist it in making decisions concerning distribution of workload within the centers and among the centers. Improving the quality and accuracy of data related to contract modifications in this system would enhance FAS's ability to balance workload. Further, additional efforts by FAS to trim inefficiencies from its workload would enhance resource utilization. For example, FAS could further reduce the number of underutilized contracts by implementing a more structured process to identify contracts with sales below the minimum threshold and by raising that threshold. Also, there are opportunities to adopt a more strategic approach to managing the Schedules program that could improve FAS's use of resources and Schedules program outcomes. For example, it may be desirable to strategically limit the number and type of vendors offering the identical goods or services while still providing customer agencies with sufficient selection, but extensive analysis would be needed to develop specific strategies.

Better data and a more strategic approach are needed for managing contract workload.

Management Challenges

Acquisition Programs (continued)

Our review of contract file documentation indicated that the centers generally complied with administrative policies and procedures related to approvals and followed templates for exercising options. However, FAS could improve consistency and effectiveness in achieving best value. Prior reviews by both our office and the Government Accountability Office cited weaknesses in this area and emphasized the importance of price analysis in achieving a fair and reasonable price determination. More recently, we found that over 75 percent of our preaward reviews of Multiple Award Schedule contracts identified vendor commercial sales practices information that was not current, accurate, or complete. FAS could improve consistency and effectiveness in achieving best value for customer agencies and taxpayers by: (1) improving guidance to contracting personnel that describes specific documentation requirements related to price analysis and policies and techniques related to negotiations, and (2) establishing performance measures that evaluate contracting personnel's verification of vendor commercial sales practices, disclosures, effectiveness in analyzing prices and conducting negotiations, and consideration of field pricing assistance.

Cycle time related to processing contracting actions is one of the primary measures used by the centers to gauge efficiency of operations, and FAS has been able to reduce cycle times in recent years. FAS may be able to further reduce cycle times by expanding use of practices employed by some centers, such as performing an initial screening of incoming offers. In addition, development of standard operating procedures for transferring contract files when Schedule reassignments occur could help to foster a smooth transition. Also, as it moves towards its new goal to award contracts in 30 days, FAS needs to strike a balance between swiftness and quality for contract awards, while ensuring timeliness for all contracting actions.

While Schedules program sales and revenues have risen substantially over the years, so has the cost of administering the program. FAS has recently taken action to reduce program costs, but may be able to further reduce costs. It could achieve greater reductions by adopting a more strategic approach to the Schedules program and by increasing emphasis on cost control through enhancements to performance measures.

In summary, we recommended that the Commissioner, FAS:

- Develop policy to standardize processes for the method and timing of entering contract modification information into FSS Online and amend FSS Online to capture data on the complexity of actions.

Management Challenges

Acquisition Programs (continued)

- Take a more structured approach to reduce the numbers of contracts below the sales threshold and consider increasing minimum sales threshold.
- Use a more strategic approach to obtaining best value from the Schedules program that would include thorough market research and analysis of commercial sales practices combined with an analysis of government buying patterns for the goods and services offered under the program.
- Establish specific guidance on price analysis documentation and negotiation policies and techniques.
- Establish performance measures that evaluate contracting personnel's verification of vendor disclosures for commercial sales practices, effectiveness in analyzing prices and conducting negotiations, and consideration of field pricing assistance. Also, establish a performance measure related to the costs of the Schedules program.
- Develop standard procedures for initial screening of offers and transferring contracts when schedules are reassigned.

The FAS Commissioner agreed with 8 of the 10 recommendations and expressed partial agreement with 2 recommendations. The Commissioner stated that changes to the contract modification process would be considered as part of FAS's broader reengineering process for the Schedules program, and agreed with the need for meaningful performance measures, but was not convinced that the measures recommended (pertaining to verification of vendor disclosures related to commercial sales practices) reflected the proper role for a contracting officer/contract specialist. The Commissioner also indicated that FAS did not believe that evaluating effectiveness in analyzing prices and conducting negotiations was conducive to quantitative measurement and expressed concern that establishing a specific performance measure would revoke the contracting officer's right to exercise judgment.

After considering management's comments, we reaffirmed the recommendations, stressing that performance measures are key indicators of employee performance and a catalyst for change. In addition, we noted that the large percentage of inaccuracies identified in OIG preaward attestation reviews compared to the relatively small number of offers that the OIG can review, indicates this is a risk area that FAS needs to address. We also noted that the OIG was conducting a separate review of MAS performance measures, during which we planned further work in the area of contracting officer measures.

Management Challenges

Contract Management

GSA increasingly accomplishes its mission by using contractors to provide client services and products. Its multibillion dollar acquisition programs have expanded rapidly in terms of size, variety, and complexity of the procurements performed. While many GSA contracts are well crafted and properly administered, we continue to find a significant number of weaknesses. Our audit work in recent years has revealed a growing list of warning signs throughout the acquisition process that suggest that training and improved technical and management skills are needed for the procurement workforce to operate in this more sophisticated arena and keep pace with new demands.

Review of FAS's Administration of Unused Airline Tickets

The FAS's Audit Division administers unused airline ticket refund requests for all Federal client agencies. It has responsibility to identify and recover overcharges and debts relating to transportation bills, including airline tickets, and has the authority to seek refunds of unused tickets purchased for government travel for up to 10 years. Two Government Accountability Office (GAO) audit reports in 2004 and 2006 disclosed that a significant number of unused tickets existed at the Department of Defense (DoD) and the Department of State (State) valued at over \$100 million. Both agencies sought FAS's assistance as the government's collection agent to seek refunds for over 85,000 unused or partially used tickets valued at nearly \$56 million during calendar years 2005 and 2006, based on information furnished by the airlines.

As a result of the GAO reports, we initiated a limited scope review of FAS's Audit Division and determined that although controls and procedures were generally adequate over administering receipts of unused airline tickets, the process for refund collections needed significant improvements. We found that the Audit Division was unable to identify the amount of refunds received and that it had not collected on the claimed amount of \$56 million due from the airlines for DoD and State. Further, the \$56 million amount was highly overstated because the majority of the data represented airline tickets that were found to be partially used but valued at full fare price. A serious problem faced by the Audit Division to collect funds on behalf of the government was that no historical database existed to ascertain the value of unused tickets purchased prior to June 2006. In addition, client agencies did not provide adequate documents to support a full claimed amount. As a result, the Audit Division had to place reliance on airline data for the value of partially used tickets. Since June 2006, however, the Audit Division has utilized an automated accounting system for administering unused airline tickets, yet it did not include any of the prior requests in the current system and has not posted all payments received.

Improved FAS policies and procedures are needed to collect refunds for unused airline tickets.

Management Challenges

Contract Management (continued)

Another complicating obstacle facing FAS is that 3 of the 4 airlines involved with the collection process are now in bankruptcy. Further, as the airlines required research of their databases to confirm the remaining amounts, one airline proposed charging the government a research fee ranging from \$75 to \$100 per ticket. However, the Audit Division is opposed to paying the fee. The Audit Division was also impeded in its collection efforts by the lack of legal representation. Without a government attorney, legal issues and settlement claims, such as the research fee, have remained unresolved. This has prevented the Audit Division from collecting any amount due from any of the three major bankrupt airlines, which represented 85 percent of the claimed funds, or from the solvent airline.

We recommended that the Commissioner, FAS:

- Develop written policies and procedures addressing controls over receipts and collections of unused tickets, to include requiring airlines to provide adequate documentation supporting amounts less than originally requested.
- Account for prior requests in the current accounting system with resultant collection activity.
- Pursue collection efforts for unused airline tickets to include other alternatives through use of the Defense Finance and Accounting System and/or legal action on the outstanding claim from the non-bankrupt airline.
- Develop a feasible plan in conjunction with Office of General Counsel leading to finalizing settlements with the three bankrupt airlines.

The Commissioner agreed with all recommendations with the exception that requiring consideration of other collection alternatives should be deleted from the audit report due to recent developments regarding the \$8.34 million claim against the non-bankrupt airline. Because a settlement had not yet been reached as of our receipt of the Commissioner's response, the recommendation remained in the report.

Information Technology

GSA is in the process of replacing or upgrading a number of its legacy information systems to improve performance and take advantage of technological advances. Since GSA has had difficulty sharing usable data between systems, many of the new IT projects are intended to go beyond automating current business functions and to create real change in the way that GSA does business. However, GSA systems development projects have typically experienced significant schedule delays and cost overruns, the need for frequent redesign, and a prolonged period of time in development.

Management Challenges

Information Technology (continued)

Alert Report on Security of GSA's Electronic Messaging Services and National Notes Infrastructure

GSA's Electronic Messaging Services (GEMS) and National Notes Infrastructure (GNNI) provide the Agency with a valuable suite of tools including e-mail, electronic calendar, Web site development and maintenance, and database creation for sharing information and documents. GEMS is GSA's e-mail system (Lotus Notes) and the GSA Chief Information Officer (GSA-CIO) has overall management responsibility for GEMS. GSA Services and Staff Offices and Regions use approximately 8,000 Lotus Notes databases for such activities as contract management, managing building construction, processing system helpdesk requests, tracking status of background investigations on employees and contractors, and maintaining personnel information. Our review focused on whether GSA has adequate security controls to manage risks with GEMS and GNNI applications. We found that significant management, operational, and technical control weaknesses have put at risk the security of essential information, services, and systems in the Agency.

Significant management, operational, and technical control weaknesses exist in GSA's e-mail applications.

Urgent matters regarding control weaknesses and resulting information security vulnerabilities with GEMS and GNNI prompted this alert report to the GSA-CIO. Vulnerabilities in access controls have not adequately restricted access to and modification of all systems. Also, we found that risks for GEMS and GNNI are not adequately considered through GSA's IT Security Program and certification and accreditation processes.

To remediate management, operational, and technical security control weaknesses and ensure that GSA continues to benefit from the information sharing capabilities of GEMS and GNNI, we recommended that the GSA-CIO work closely with Services/Staff Offices/Regions to:

- Inventory all GSA's Lotus Notes databases and applications and remove those that are outdated, including ones that lack necessary controls.
- Develop policies and procedures clarifying roles and responsibilities for use and maintenance of GSA's National Notes Infrastructure, reviewing and configuring appropriate access controls.
- Reevaluate system boundaries for GEMS and GNNI and strengthen specific technical controls.
- Complete a comprehensive certification and accreditation that ensures that risks and controls are identified and documented.

The GSA-CIO concurred with our findings and recommendations, and has initiated a remediation plan to address immediate control weaknesses.

Management Challenges

Information Technology (continued)

FY 2007 Office of Inspector General FISMA Review of GSA's Information Technology Security Program

The Federal Information Security Management Act of 2002 (FISMA) requires Federal agencies to develop, implement, and document an agency-wide information security program. While GSA continues to improve the IT Security Program, the conditions that we found during this review indicate that management actions have not been fully effective in mitigating risks and securing GSA systems. We found that GSA IT system security risks and related controls are not comprehensively addressed for all applications, data repositories, and services within various systems. Also, oversight of contractor-supported systems needs to be more comprehensive. Additionally, opportunities exist to strengthen configuration management.

Lack of an implementation plan and detailed inventory process have exposed the Agency's information assets to undue risks.

GSA has taken steps to establish an inventory of systems, designate system security roles and responsibilities, and incorporate National Institute for Standards and Technology (NIST) guidance. Since the implementation of FISMA, the GSA-CIO has taken steps to identify and reduce risks through designations of additional management, operational, and technical controls outlined in GSA's IT security policy and procedures. Despite these efforts, GSA's IT Security Program lacks an implementation plan and detailed inventory process to ensure that risks for all applications, data repositories, and services within systems are identified and mitigated.

GSA's oversight of contractor-supported systems needs to be more comprehensive. The IT Security Program has not been effective in engaging GSA management to consistently enforce policy and procedures. GSA system security officials did not ensure that contractors performing support had applied GSA's IT security policy and procedures. Additionally, for all systems reviewed this year, we identified deficiencies with contractor personnel security. For example, for one system, 25 contractor employees were given access before background investigations in contravention of GSA policy. We have reported similar findings in the past.

Configuration management should be strengthened. We identified two areas where improvements can be made. First, insecure configuration settings were identified in system reviews of Web application security, database security, and operating system security that could affect the confidentiality, integrity, and availability of those systems. Second, Agency configuration

Management Challenges

Information Technology (continued)

policy and procedures for handling unsuccessful login attempts and warning banners were conflicting and not in conformance with best practices.

In our September 17, 2007 report, we recommended that the Chief Information Officer:

- Develop an implementation plan to meet IT Security goals.
- Improve management accountability by developing an inventory process for system owners.
- Enhance oversight of contractor-supported systems by promoting compliance with GSA policy and establishing one central point for contractor background investigations.
- Strengthen configuration management by addressing, in policy, unsuccessful login attempts and warning banners, and secure the Lotus Domino environment.
- Assist managers in adopting performance measures consistent with GSA's IT Security Program.

The Chief Information Officer concurred with the report findings and recommendations.

To assess the effectiveness of GSA's IT Security Program for meeting the FISMA requirements, we based our results on separate audits of the following 4 systems: Region 8 Public Buildings Service (PBS) local area network (LAN); the Fleet Management System (FMS); GSAjobs; and Region 8 Federal Technology Service (FTS) LAN. The reports contain audit findings and recommendations. Each report is summarized below.

- The Region 8 PBS LAN supports users across six states, incorporates Voice over Internet Protocol (VoIP), and was administered from regional offices in Denver, Colorado. During audit fieldwork, the Region 8 PBS LAN functions, positions, personnel, authorities, funds, equipment, and other resources were transferred from Region 8 to the Office of Enterprise Infrastructure within the GSA-CIO as part of the Agency's IT infrastructure consolidation initiative. Selected IT system security controls were tested for the Region 8 PBS LAN and were not working effectively in 5 of 18 areas we reviewed. Security control areas include the NIST SP 800-53 families and Web application security. The implementation of security controls within these five areas was not consistent with GSA's policy and NIST requirements. We identified opportunities to improve security controls for configuration management, physical and environmental protection, personnel security, Web application security,

Management Challenges

Information Technology (continued)

and awareness and training. The report contained four recommendations for the GSA-CIO and the Regional Administrator to reduce risk and enhance system security, and identified a weakness to be addressed in the audit of GSA's IT Security Program.

- FMS is an asset management tool used to track the life cycle of approximately 200,000 active vehicles from the moment of acquisition to vehicle disposal. The primary mission of FMS is to facilitate the overall management of the GSA Fleet and to generate financial interface records to update GSA financial systems. FMS includes a number of Web applications used for reporting mileage, identifying and reporting vehicles for sale, recording and managing logs of accidents and incidents, and generating and tracking vehicle requisitions submitted to the GSA Automotive Center. FMS is a contractor-operated Federal Acquisition Service (FAS) system providing centralized support that enables ten FAS regions within the United States, one region in Europe, and the FAS Office of the Chief Information Officer to provide detailed costs for Fleet support. Selected IT system security controls were tested for FMS and were not working effectively in 7 of 18 areas we reviewed. Security control areas include the NIST SP 800-53 families and Web application security. We identified opportunities to improve security controls in the areas of risk assessment, planning, system and communications protection, Web application security, access control, personnel security, and contingency planning. The implementations of security controls within these seven areas were not consistent with GSA's policy and NIST requirements, placing FMS at greater risk from malicious individuals and an insider attack. The report contained four recommendations to the Commissioner, FAS to enhance security for the Fleet Management System.
- GSAjobs is a Web application that contains two components: a human resources (HR) portion accessible by GSA HR professionals, and an applicant portion that is publicly available. GSAjobs contains the personally identifiable information (PII) of job applicants utilizing the system and interfaces with the Office of Personnel Management's (OPM) Web site to post vacancy announcements and to collect applicant information. GSA has defined PII as "any personal information that is associated with a unique identifier and can be accessed through that identifier." Its primary purpose is to automate the evaluation process of candidates in accordance with OPM and GSA defined requirements. GSAjobs is a contractor-provided solution that is owned and operated by Monster Government Solutions on behalf of the GSA Office of the Chief Human Capital Officer. The audit found that GSAjobs contains significant

Management Challenges

Information Technology (continued)

security weaknesses and does not conform to the task order, which requires compliance with GSA's IT security policy and procedural guidance. We identified opportunities to reduce the risks of improper disclosure of applicant's privacy information through improved security controls in the areas of system and services acquisition, configuration management, access controls, identification and authentication, Web application security, and personnel security. Securing GSAjobs and ensuring the long term success of the system will require clear, enforceable, and monitored task order requirements, strong application controls, and personnel security practices consistent with Agency guidance and policy. The report contained four recommendations for improving system security.

- The Region 8 FTS LAN supports users at the Denver Federal Center, and was administered from regional offices in Denver, Colorado. During audit fieldwork, the Region 8 FTS LAN functions, positions, personnel, authorities, funds, equipment, and other resources were transferred from Region 8 to the Office of Enterprise Infrastructure within the GSA-CIO as part of the Agency's IT infrastructure consolidation initiative. Selected IT system security controls were tested for Region 8 FTS LAN and were not working effectively in 4 of 18 areas reviewed. Security control areas include the NIST SP 800-53 families and Web application security. The implementation of security controls within these four areas was not consistent with GSA's policy and NIST requirements. We identified opportunities to improve security controls for configuration management, physical and environmental protection, personnel security, and awareness and training. The report contained three recommendations for the GSA-CIO and the Regional Administrator to reduce risk and enhance system security.

Management Controls

Multiple management controls and extensive supervisory reviews have been replaced, through streamlining efforts, by fewer and broader controls, making it essential that the remaining control processes be emphasized and consistently followed. Streamlined processes have helped GSA achieve its goal of serving customers more quickly and efficiently; however, the Agency is exposed to the risk of mismanagement and abuse if program officials do not ensure the faithful application of existing safeguards.

Management Challenges

Management Controls (continued)

Review of Public Buildings Service's Delegations of Authority to Lease Space

This review was conducted in response to concerns related to a delegated leasing action by the Department of Homeland Security. The focus of the review was to determine whether leasing actions that were performed by customer agencies under delegations of authority from GSA were awarded in accordance with applicable laws, regulations, and policies and procedures.

Although GSA encourages all Federal agencies to use PBS as their leasing agent for general-purpose space, GSA can delegate its leasing authority to allow an agency to perform a specific leasing action without the assistance of PBS personnel. In accordance with lease delegation procedures, delegated agencies are responsible for complying with all applicable rules, laws, and regulations related to awarding leases. In addition to compliance with laws and regulations, the lease delegations have other restrictions, including that (1) the annual rental not exceed prospectus limitations, and (2) agencies provide PBS with award information on delegated leases.

Many delegated leases had deficiencies, including potential prospectus violations, excessive rental rates, and noncompliance with delegated lease authority.

We found that many of the leasing actions we reviewed, especially some large leasing actions, did not comply with all applicable policies, laws, and/or regulations. We reviewed 25 delegated lease procurements made from FY 2001 through FY 2006. Eighteen (72 percent) had one or more deficiencies. The deficiencies included potential prospectus violations, excessive rental rates and other lease costs, violations of delegated lease authority, and inadequately documented lease files. For example, the Department of Interior awarded a 20-year lease for construction of a 140,000 square foot building. Although the base rental was under the prospectus threshold (\$1,990,000 in FY 2001), an additional \$11.1 million in tenant improvement work was added through two supplemental lease agreements without going through the prospectus process. Also, the Department of Defense awarded four sole source leases to a private company that controls space on one of its bases. The leases have excessive rental rates, payments for tenant improvements, and operating expenses in comparison to the local market. The rental rates exceed the appraised values by 28 to 32 percent. For the largest of these leases, the tenant improvement work totaled \$105 per square foot, while for other general purpose leased office space we found tenant improvement work (above what is provided in the lease) to be generally under \$35 per square foot. Further, for this same lease operating expenses increased by 52 percent and included costs not directly reimbursable such as Payroll Engineer, Payroll Secretary, Dues and Subscriptions, and Meals. In our opinion, the leasing problems occurred primarily as a result of the customer agencies' lack of expertise in performing lease procurements and because the agencies failed to obtain assistance from GSA.

Management Challenges

Management Controls (continued)

As a result, to prevent future violations of laws and policies as well as excessive leasing costs, we recommended that the Commissioner of PBS:

- Establish threshold limits for the delegation of GSA's lease authority to other agencies.
- Implement management controls over delegated leases that are commensurate with risks associated with the delegations.

The Commissioner agreed with the report's recommendations.

Alert Report on Procurement Irregularities Associated with the Hiring of Support Staff for the U.S. Marshals Service

During a nationwide audit of Reimbursable Work Authorizations (RWAs), we identified evidence of procurement irregularities in GSA's National Capital Region that we brought to regional management's attention through a separate report. An RWA is a binding agreement between GSA and its customer to acquire such things as space alterations or overtime utilities required by the customer agency. The agreement is defined in the RWA by including a scope of services requested and a specific dollar amount authorized.

The irregularities were associated with GSA's procurement of support staff on behalf of the U.S. Marshals Service (USMS) and included issuance of out-of-scope purchase orders, issuance of purchase orders after the commencement of work, and lack of competition without requisite justifications. Further, a lack of control over the process allowed the irregularities to occur when GSA accepted the RWAs without an identified requirement, a defined scope, and a cost estimate. These RWAs also were accepted in advance of their use, and in certain cases crossed fiscal years.

In the National Capital Region, customer agencies are served by specific Public Buildings Service Centers that provide comprehensive property management services, including the administration of RWAs. The District of Columbia Service Center (DC Services) is responsible for the USMS. The DC Services assisted the USMS in procuring administrative staffing for its headquarters facility from one contractor, totaling over \$5 million, from FY 2002 through FY 2006.

The alert report was issued to identify how ineffective controls led to problem procurements involving all three parties (USMS, the contractor, and GSA). First, the USMS provided generically scoped RWAs and allowed contract employees to work in its facility without proper authority. Second, the contractor accepted out-of-scope purchase orders and sent contract employees to work without appropriate approval. Third, GSA held agency

Weak controls over RWAs resulted in procurement deficiencies.

Management Challenges

Management Controls (continued)

funds, accepted RWAs without definite scopes, and issued purchase orders against inappropriate contract vehicles (after work had already commenced).

One consequence of the ineffective controls was that the government was vulnerable to paying too much for services. The contractor has a contract under three different GSA Multiple Award Schedules. The three separate Schedules are: Professional Engineering Services (PES) for such disciplines as chemical, mechanical, and electrical engineering; Mission Oriented Business Integrated Services (MOBIS) for management and consulting services such as program management, program integration, and project management; and Temporary Administrative and Professional Staffing (TAPS) support services for such assistance as administrative and clerical support for a maximum of 240 workdays. GSA issued purchase orders against all three. GSA placed orders under the PES schedule contracts for 3 years to provide for a 'project manager' and 'junior project manager' to run the USMS fitness center. The running of a fitness center does not fall within the scope of service contemplated by the PES schedule. Next, GSA placed orders under all three schedule contracts to provide for 'project managers' to "coordinate and monitor the maintenance of the USMS offices at Crystal Square 3", a leased facility. In reality, the contract employees hired under these purchase orders performed handyman services. Handyman services do not fall within the scope of service contemplated by either the PES or MOBIS contracts. Further, the TAPS contract is supposed to provide manpower up to a maximum of 240 days and the performance period was well in excess of that parameter. When submitting its invoices, the contractor attached daily work logs that delineated the tasks completed each day by its employees, such as painting, moving boxes, and patching drywall. However, these handyman-type tasks are not compatible with the management-type services purchased, as described in the purchase orders. Yet, the GSA approved these invoices for payment.

Because this is part of an ongoing audit, we did not have specific recommendations at this time, but wanted to bring this to management's attention while our work continues.

Review of the Travel and Transportation Management Division's Freight Management Program

The Federal Property and Administrative Services Act of 1949 designated GSA as traffic manager for Federal agencies and the only agency authorized to negotiate with transportation carriers on behalf of civilian agencies. The Freight Management Program (FMP), within FAS, provides a framework for fulfilling the domestic and international freight shipping requirements of Federal agencies. Our audit objectives were to determine if the organization ensures competitive rates that provide best value to the Federal user, and agencies are remitting the Industrial Funding Fee (IFF) in an accurate, complete, and timely manner.

Lack of adequate controls restrict the Freight Management Program's ability to ensure best value.

Management Challenges

Management Controls (continued)

We found the Travel and Transportation Management Division (Division) cannot ensure the IFF is remitted in an accurate, complete, and timely manner due to a lack of adequate controls over the reporting and remitting of sales data and revenue. In addition, management cannot effectively determine if it has achieved its organizational goal to provide best value to its customers because a majority of FMP's best value performance measures rely on sales and revenue data, which we found to be inaccurate and unsupported. As most transportation transactions involve direct procurement between customer agencies and the Transportation Service Providers (TSPs), the Division must rely on its customers to accurately report the shipments and remit the IFF.

The current system of collecting sales and revenue from Federal users has inherent weaknesses that prohibit the Division from securing accurate, complete, and current information to effectively manage its program. The Division has no enforcement capabilities to review Federal users' records and cannot track sales and revenue to an independent system or source. Currently, the Division is piloting a program to test the capability of the TSPs to track sales and remit the IFF. Shifting responsibility to the TSPs with proper controls in place may alleviate these weaknesses and increase usage of the Division's FMP.

We recommended that the Acting Assistant Commissioner of the Office of Travel and Property Management:

- Establish policies and procedures to ensure effective controls over the accuracy and timeliness in reporting and remitting of sales data and revenue.
- Develop and implement measurable and verifiable performance assessments.

Management generally concurred with the findings and recommendations.

Review of the Heating Operation and Transmission District's Operations and Finances

We conducted a review of GSA's Heating Operation and Transmission District (HOTD), a steam and chilled water utility service to government and quasi-government customers in the National Capital Region. In FY 2005, HOTD serviced 76 customer organizations that occupied approximately 50 million square feet. Our focus was to determine if HOTD operates and uses its assets economically, efficiently, and securely. We included a review of how HOTD determines the rate it bills its customers. Management was aware that HOTD has been operating at a loss, but the magnitude and underlying causes were not fully apparent. In FY 2005, HOTD operated at a loss of \$20.3 million on revenue of \$51.9 million.

Management Challenges

Management Controls (continued)

We identified several areas of concern:

- HOTD's rate setting methodology was not designed to recover key costs and the current account structure is an impediment to analyzing costs.
- Anticipated energy savings from an investment in the plant were not achieved.
- The backup facility for the Central Plant was decommissioned in FY 2000 and a strategy is needed for addressing this unused building and for providing a backup facility.
- There were several accounting issues that need to be addressed.

HOTD evaluates its customer billing rates on the basis of cost projections that exclude certain operating expenses. The two primary exclusions are general and administrative expenses and depreciation. One consequence of this decision is that the HOTD organization regularly incurs a substantial loss. The Agency's financial system does not account for this organization as a discrete entity, so the effort needed to compile the financial results is considerable.

HOTD's investment in a cogeneration system has not resulted in the energy savings planned to help fund that acquisition. The expectation was that the cogeneration system would provide for all of the plant's electricity needs and produce a surplus for sale back to the utility company. In fact, the plant remains a net consumer of electricity. There are several contributing factors, but ultimately the system has been operated at about 32 percent of its theoretical availability and its performance variance from specification has not been tested.

The West Plant facility, which was the backup facility for HOTD, is idle and deteriorating and there is no long-term strategy in place to remedy this condition. In addition, there is no established contingency plan to deal with a full or partial plant shutdown.

Five of the six boilers used to generate steam at HOTD's Central Plant are periodically powered by fuel oil as an alternative to natural gas. While not the primary energy source, fuel oil does represent a significant cost. HOTD recorded fuel oil expense of \$2.1 million in FY 2005, accounting for five percent of total utilities expense. Control over this asset is weak; the risk that a fuel oil loss or shortage would go undetected is unacceptably high.

Management Challenges

Management Controls (continued)

Review of the financial aspects of HOTD's operations yielded several accounting weaknesses, including inappropriate accounting for energy conservation project depreciation expense, incorrect RWA type, lack of a discrete HOTD identifier, and lack of a business line cost allocation model.

In our September 13, 2007 report we recommended to the Regional Administrator that these issues be addressed. Our recommendations include various accounting, procurement, and operational issues that should be addressed to improve HOTD's performance. Given the unique nature of the HOTD organization, financial system data needs to be adjusted to obtain a representative picture of HOTD financial performance. In particular, HOTD should recognize all general and administrative and depreciation expenses, correct the RWA type used, allocate expenses by business line, and consider treating the operation as one facility. HOTD should restore contract administration for the chilled water expansion/cogeneration project. It should develop a boiler operating plan that takes into account market conditions and relative efficiency of the equipment. A strategy is needed for the best use of the West Plant asset and a contingency plan devised for service disruption. Lastly, accounting for fuel oil should be in accordance with generally accepted accounting principles.

The Regional Administrator concurred with the findings and the recommendations.

Review of the Pacific Rim Region, Public Buildings Service, Golden Gate Office

The Public Buildings Service, Golden Gate Office (GGO), a field office under the direction of the San Francisco Service Center in the Pacific Rim Region, is responsible for managing 5 government-owned buildings and 24 leased buildings. Our review objectives were to determine whether the GGO: (1) made prudent procurements in accordance with laws, regulations, and established policy and controls; and (2) effectively performed contract administration duties.

We found that contract administration was generally effective and assured that the quality and quantity of goods and services received were what the government ordered for the majority of the audited items. However, we were unable to determine whether the government received adequate quality and quantity of services for janitorial services and procurements involving three sole source awards made under RWAs.

Required monthly surveillance reports on two janitorial contracts were not done for the period March 2006 to September 2006. The reports assess the contractors' performance based on criteria identified in the Quality Assurance Surveillance Plan included in their contracts. The Quality

Management Challenges

Management Controls (continued)

Assurance Surveillance Plan is to ensure the identification of unacceptable performance with timely follow-up to correct deficiencies. Without the preparation of surveillance reports, we were unable to determine if janitorial services were performed at the levels required by the terms of the contract.

The contract files for three sole source procurements done under RWAs did not contain adequate documentation in support of the government's evaluation of the contractor's proposal for price reasonableness. The Federal Acquisition Regulation (FAR) requires that documentation on price reasonableness must be included in the file if only one offer is received in response to a solicitation. Documentation such as the independent government estimate is generally used to establish that the price for services was fair and reasonable.

In addition, documentation for two of the three RWAs did not adequately support the reason as to why only the incumbent contractor was considered for the contract award. Again, FAR allows the contracting officer to solicit from one source: (1) on the condition that purchases do not exceed the simplified acquisition threshold of \$100,000; and (2) if the contracting officer determines that the circumstances of the contract action deem only one source to be reasonably available. We found no evidence in the contract file to support the need for sole sourcing to the incumbent vendor.

Our report to the Regional Administrator recommended that:

- Sole source awards must be adequately documented to support the government's justification for the absence of competition and its evaluation of fair and reasonable pricing.
- The GGO complete the required monthly surveillance reports for janitorial contracts to ensure performance quality levels are achieved.

The Regional Administrator concurred with the recommendations and steps have been taken to ensure that the government receives the quality and quantity of goods that were paid for sole source awards and janitorial services.

Protection of Federal Facilities and Personnel

Providing a safe, healthful, and secure environment for over 1 million workers and the visitors to over 8,700 owned and leased Federal facilities nationwide is a major multifaceted responsibility of GSA. The increased risks from terrorism have greatly expanded the range of vulnerabilities traditionally faced by building operations personnel. In March 2003, the Federal Protective Service (FPS) was transferred from GSA to the

Management Challenges

Protection of Federal Facilities and Personnel (continued)

Department of Homeland Security (DHS). While FPS is no longer part of GSA, the Agency has a continual need to closely interact with security personnel due to GSA's mission of housing Federal agencies. GSA and FPS/DHS operate under a Memorandum of Agreement for obtaining services such as basic security for buildings, contract guards, law enforcement, background suitability determinations for contractors (including child care center personnel), pre-lease security checks, occupant emergency plan support, and continuity of operations support. Ensuring that Federal employees have a secure work environment and that building assets are adequately safeguarded must remain a primary concern of GSA.

Review of the Implementation of Homeland Security Presidential Directive 12

Homeland Security Presidential Directive 12 (HSPD-12) mandates the establishment of a common standard for identification credentials to be used by all Federal employees and contractors for physical and logical access to Federally-controlled facilities and information systems. The National Institute of Standards and Technology published Federal Information Processing Standards Publication 201 (FIPS 201), Personal Identity Verification (PIV) of Federal Employees and Contractors that sets the standards and requirements for implementing the cards. The Office of Management and Budget (OMB) set deadlines for HSPD-12 implementation. The first major deadline, October 27, 2005, required all agencies to establish control objectives and a common identity proofing process, as well as the registration and issuance process, and security controls. The subsequent deadline of October 27, 2006, required all agencies to begin the issuance of PIV II compliant credentials. Additional deadlines, falling on October 27, 2007 and October 27, 2008, require agencies to complete background investigations and issue PIV cards to all contractor personnel and employees with 15 years or less of Federal service, and those employees with greater than 15 years of service, respectively.

The GSA HSPD-12 Project Management Office (PMO) of the Office of the Chief Information Officer was created to manage GSA's implementation of HSPD-12. In addition to the PMO, the GSA FAS launched the HSPD-12 Managed Service Office (MSO) to use competitively selected contract vehicles to provide all project, acquisition, and financial management necessary for GSA's customer agencies to satisfy the OMB requirements.

The objective of our review was to analyze whether GSA's actions underway are adequate to meet OMB requirements and timeframes for the implementation of HSPD-12 in accordance with FIPS 201, and, if not, what corrective actions are needed. This review disclosed that GSA has met OMB's first two deadlines requiring issuance of operating procedures by October 27, 2005, and the production of a PIV II compliant card by

Contracting difficulties and the lack of a detailed implementation plan impair GSA's ability to meet HSPD-12 milestones.

Management Challenges

Protection of Federal Facilities and Personnel (continued)

October 27, 2006. GSA is also continuing to move forward in such aspects of HSPD-12 implementation as processing employee and contractor background investigations, developing plans for logical and physical access, and updating its general HSPD-12 policies. However, we found that GSA would likely not meet OMB's October 27, 2007 deadline that requires the issuance of PIV II compliant cards to all contractors and employees with 15 years or less of Federal service. The PMO estimated that GSA will require over 67,000 PIV II credentials by the October 2007 deadline, yet had only issued 71 PIV II compliant cards as of March 1, 2007. We also found that since the contract vehicle for the PIV II cards had been reopened for competition as of the date of the report, with contract rollout in July 2007, GSA would likely be unable to obtain the required number of PIV II cards from the MSO contractor by the October 27, 2007 deadline. While waiting for the new MSO contractor to come online, GSA plans to continue issuing legacy GSA smart cards to its employees and contractors.

Other factors impacting GSA's ability to implement HSPD-12 include the lack of a detailed HSPD-12 implementation plan and the absence of a centralized database capturing GSA-wide contractor information. A PMO business plan in FY 2006 became substantially obsolete once the decision was made to use the MSO contractor. While the PMO has issued a GSA HSPD-12 Implementation Overview containing basic strategy for implementing HSPD-12, as the new MSO contractor comes online and the technology for physical access controls becomes better defined, a more detailed plan needs to be developed.

As noted previously, the OMB memorandum requires agencies to issue PIV cards to all applicable contractors by October 27, 2007. HSPD-12 contractor requirements were addressed in Federal Acquisition Regulation revisions and GSA Chief Acquisition Officer instructions to all GSA contracting associates. While the PMO estimates that there are 13,000 embedded contractors and 50,000 PBS contractors, there is no centralized database that contains a record of all GSA contractors requiring the level of physical and systems access that necessitates favorably adjudicated background investigations and fingerprint checks. The PMO raised concerns in this area and proposed the establishment of a contractor identity management system, with mandatory enrollment for all current GSA contractors. We agree with this proposal.

Management Challenges

Protection of Federal Facilities and Personnel (continued)

Our August 13, 2007 report recommended that the Chief Information Officer take steps to ensure the successful implementation and management of HSPD-12 initiatives by:

- Developing a detailed implementation plan outlining how GSA plans to implement HSPD-12 in its entirety.
- Establishing a contractor identity management system, while expediting background investigations for embedded contractors.

Management concurred with our recommendations. Subsequently, the Agency acknowledged that the deadline will not be met and is working toward a revised timeframe.

Promoting and Protecting Integrity

GSA is responsible for providing working space for one million Federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property and operates a governmentwide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. We conduct reviews and investigations in all these areas to ensure the integrity of the Agency's financial statements, programs, and operations, and that the taxpayers' interests are protected. In addition to detecting problems in these GSA programs and operations, the OIG is responsible for initiating actions to prevent fraud, waste, and abuse and to promote economy and efficiency. When systemic issues are identified during investigations, they are shared with GSA management for appropriate corrective actions. During this period, criminal, civil, and other monetary recoveries totaled more than \$10.7 million.

Significant Civil Actions

IBM and PriceWaterhouseCoopers Settle Government Claims that They Engaged in Kickbacks and Other Prohibited Business Arrangements

In two separate agreements signed on July 30, 2007, International Business Machines Corporation (IBM) agreed to pay \$2,972,039 and PriceWaterhouseCoopers, LLP agreed to pay \$2,316,662 to settle their potential civil False Claims Act liability relating to allegations made by private individuals in a *qui tam* case that the two companies, in their role as information technology systems integrators, defrauded the government. The government's investigation determined that the two companies were involved in various undisclosed alliance relationships with hardware and software manufacturers, and that the financial transactions based on those relationships constituted illegal kickbacks and conflicts of interest that violated the companies' GSA contracts, as well as the Federal Acquisition Regulation.

\$1.8 Million Civil and Criminal Monetary Recovery

A joint investigation with the U.S. Naval Investigative Service and the Defense Contract Audit Agency was initiated when it was alleged that The Sigmon Group, LLC (TSG) submitted false and fraudulent invoices to the U.S. Navy for work completed under various task orders issued by the U.S. Navy through its multiple award schedule contract with GSA. The investigation revealed that the president, senior vice president, and chief financial officer of TSG were involved in a scheme to inflate labor hours and labor charges on several U.S. Navy task orders. On April 5, 2007, the president of TSG executed a negotiated civil settlement on behalf of TSG to resolve their civil liability by agreeing to pay \$413,170 to the government. On August 1, 2007, the TSG President was sentenced to 5 years probation, ordered to pay criminal restitution in the amount of \$642,073, and ordered to pay a criminal fine of \$750,000 for filing false claims.

Former regional IT director guilty of accepting bribes.

Significant Criminal Actions and Investigations

Former Regional FTS IT Director Pleads Guilty to Accepting Bribes

An investigation was initiated when it was alleged that an employee of a government contractor, who was a former GSA Regional Office FTS deputy director, was submitting fraudulent claims to GSA under a basic ordering agreement. The investigation determined that the former deputy director conspired with the former GSA Regional Office FTS IT director to have task orders directly awarded to the contractor and inflate task orders with fraudulent other direct costs. Pursuant to this scheme, the investigation disclosed that the former FTS director received \$156,550 from the contractor employee.

In addition, the investigation determined that the former director created completely fictitious task orders and directly awarded them to the contractor for which no work was to be performed. The former director and the contractor agreed to use the money GSA paid the contractor for these task orders to fund the former director's future employment with the contractor's company once he retired from GSA, with any remaining funds going to the contractor.

Federal Employee Pleads Guilty to Bribery

The former FTS director pled guilty to accepting bribes, conspiracy to submit false claims, and aiding and abetting. He was sentenced to 1 year and 3 months incarceration, 3 years supervisory release, and ordered to pay restitution in the amount of \$1,020,087. The contractor employee and former GSA FTS deputy director pled guilty to bribing a public official, conspiracy to submit false claims, and aiding and abetting. He was sentenced to 5 months incarceration, 3 years supervisory release and ordered to pay restitution in the amount of \$385,527.

A joint investigation with the Federal Bureau of Investigation (FBI), Veterans Administration (VA) OIG, VA Police Service, and the Internal Revenue Service (IRS) Criminal Investigative Division disclosed that a VA employee used his position to obtain supplies and services through two companies in which he had financial interests. Both companies performed construction contracts at the VA Medical Center (VAMC). Specifically, the investigation found that the employee, in his official capacity, steered contracts to two companies in which he had a financial interest, benefited personally by receiving things of value for himself and others from the two companies, and made false statements to Federal law enforcement officials regarding his connection with the two companies. Also, he filed false U.S. Individual Income Tax Returns, as he failed to include income he received from the two companies on his tax returns; and misused his GSA purchase credit card by purchasing supplies and services for the VAMC.

Promoting and Protecting Integrity

Significant Criminal Actions and Investigations (continued)

As a public official, the VA employee received things of value for himself and others from the two companies including, but not limited to, the payment of his mortgage, automobile insurance, credit card and various other personal expenses in return for violating his official duties at the VA. He pled guilty and is scheduled to be sentenced in December 2007.

Former Federal Sales Representative and Former National Guard Employee Plead Guilty to Conspiracy to Commit Bribery

A joint investigation with the FBI and the Department of Defense Investigative Agency was initiated when it was alleged that a former Federal sales representative of Oki Data, Inc. (Oki), the president of Netfusion, Inc. (Netfusion), and a former national guardsman might have been involved in a scheme of money laundering, bribery, and conspiracy.

The investigation revealed that the Oki sales representative conspired with a former colonel in the Army National Guard to sell Oki printers to the National Guard through Netfusion. The president of Netfusion, agreed to make payments of approximately \$12,000 each to a former guardsman and ex-sales representative to secure the sale of the printers. The guardsman signed a purchase commitment in the amount of \$261,414 on behalf of the National Guard to purchase 108 printers and had them distributed throughout the country.

On June 20, 2007, the former guardsman pled guilty to conspiracy to commit bribery and was sentenced to 10 days incarceration, 2 years supervised probation and ordered to pay restitution in the amount of \$36,000. On July 11, 2007, the former Federal sales representative of Oki pled guilty to conspiracy to commit bribery and was sentenced to 2 days incarceration, 6 months home confinement and ordered to pay restitution in the amount of \$36,000. On September 20, 2007, the president of Netfusion pled guilty to conspiracy to commit bribery and accepting kickbacks and is scheduled to be sentenced on December 17, 2007.

Army National Guard Employee Pleads Guilty to Acts Affecting a Personal Financial Interest

A joint investigation with the Defense Criminal Investigative Service was initiated when it was reported that a retired Washington Army National Guard (WAANG) employee returned to work as a consultant to a contractor to whom he had awarded contracts while he was a Guard employee. The employee had served as the Program Director for WAANG's Distance Learning Program (DLP). The investigation determined that while the employee was with the WAANG, he directed millions of dollars in GSA task orders for work connected to DLP. He pled guilty to acts affecting a personal financial interest and is scheduled to be sentenced in November 2007. He faces up to 5 years of imprisonment and a possible fine of \$250,000.

National Guard employee directs millions of dollars in GSA task orders to a company in which he had a

Promoting and Protecting Integrity

Significant Criminal Actions and Investigations (continued)

Administrator Investigated for Sole Source Contract

An anonymous source provided documents indicating that the Administrator, GSA, personally awarded a sole source contract to a friend who was then the President, Public Affairs Group, Inc., Washington, DC. The investigation confirmed that the Administrator personally awarded a sole source contract for \$20,000 for public relations services at her own initiative and without consulting any contracting or legal professionals on her staff. It was determined that the friend had a prior personal and extensive professional relationship with her prior to her appointment as the Administrator of GSA. She minimized the extent of their professional relationship during her GSA OIG investigative interview.

GSA contracting officials and staff of the GSA Office of General Counsel reviewed the contract subsequent to the Administrator's award, and determined that it did not comply with existing laws and regulations governing such procurements. Specifically, the contract was awarded without required competition or, in the alternative, without the required sole source justification. As a result, GSA terminated the contract for convenience before any monies were paid. Even after the contract was terminated on August 4, that very same day the email exchange between Administrator Doan and Mr Phelps, GSA's Chief of Staff, showed the matter was far from over. After informing Administrator Doan of the upcoming termination, Mr. Phelps went on to say, "I will simply tell Edie's folks [i.e., Edie Fraser's staff at the Public Affairs Group] that we have more work to do on our end before moving forward." Administrator Doan's response was, "Okay. Now, for the next step: the SOW [statement of work]. Who is doing that work, Felipe [Mendoza, of GSA] or Edie?" (source: Statement of Brian D. Miller before the Committee on Oversight and Government Reform, United States House of Representatives, March 28, 2007.)

Because the Administrator's conduct in this matter may indicate possible violations of Federal ethics regulations for failing to act impartially and creating the appearance of providing preferential treatment, and her conduct also may indicate possible violations of Federal procurement regulations requiring competition in the award of contracts, a formal Report of Investigation was provided to the White House for consideration of administrative action. The White House has the matter under review.

GSA Contractor Pleads Guilty to Conspiracy

An investigation was initiated when the president of PM Services Company (PMS) reported that she fired an employee upon learning that he had secured a job with one of her competitors and may have violated the Anti-Kickback Act while under her employment. She stated that information left on the employee's desk and laptop computer indicated that he was receiving check payments from a subcontractor used by PMS.

**Kickback scheme
uncovered in GSA
building
management
services.**

Promoting and Protecting Integrity

Significant Criminal Actions and Investigations (continued)

The investigation disclosed that the employee was receiving payments from various subcontractors used by PMS. A Maryland-based contractor's bank records showed payments for the same amounts listed in the employee's laptop computer. The contractor confessed to paying the employee kickbacks in exchange for work, and stated that from 2000 through 2003 he paid \$45,835 in kickbacks in exchange for work in GSA facilities. On May 22, 2007, he pled guilty to conspiracy to commit mail fraud and is awaiting a sentencing date.

The employee's laptop computer also showed that similar amounts were listed for two other companies conducting business through PMS. The owner of Applied Power Group, Inc. was confronted and admitted to paying the employee \$117,000 in kickbacks from June 2001 through July 2003 in exchange for work. On July 12, 2007, he pled guilty to conspiracy, aiding and abetting. The owner of Precision Mechanical Inc. also admitted to paying \$175,330 in kickbacks from December 2000 through July 2003 in exchange for work. On July 25, 2007, she pled guilty to conspiracy, aiding and abetting. A sentencing date has not been set. A criminal investigation involving other GSA contractors involved in this scheme is continuing.

Two GSA Contractor Employees Plead Guilty to Defrauding the Government

A joint investigation with the Defense Criminal Investigative Service and the Department of Energy OIG was initiated when it was reported that eGlobe Solutions, Inc. (eGlobe) might have been supplying substandard computer components to the Department of the Navy under a GSA contract. The investigation revealed that two employees affiliated with eGlobe conspired to secure contracts with the government for genuine Sun Microsystems and Cisco Systems computer and communications networking equipment. Instead of delivering genuine products, eGlobe delivered products that were counterfeit, altered, and/or not warranted by the manufacturer. The estimated value of the fraudulently secured government contracts is approximately \$788,875. One of the employees pled guilty to conspiracy to defraud the government and was sentenced to 2 years probation, 200 hours of community service and ordered to pay a fine of \$1,000 and restitution in the amount of \$4,351. The other employee pled guilty to defrauding the government and is awaiting sentencing.

Former Vice President of Communications Company Pleads Guilty to Social Security Fraud

An investigation was initiated when a referral from DCAA alleged that Communication Technologies, Inc. (COMTEK) engaged in a pattern of defective pricing. It was alleged that COMTEK was inflating its Overhead

**Substandard
computer
components
provided to
government buyers
on GSA contracts.**

Promoting and Protecting Integrity

Significant Criminal Actions and Investigations (continued)

and General Administrative rates, which included an unallowable cost to supplement an employee's salary and expenses, concealing the outside income from the Social Security Administration. The unallowable cost was subsequently submitted to GSA and DCAA as an adequate cost rate.

The investigation revealed that COMTEK's former vice president, president, and comptroller conspired in a scheme whereby two separate bank accounts were opened under the comptroller's name with the former vice president as an authorized user. It was disclosed that the comptroller's salary was inflated by \$250,000 per annum so that a portion of his salary (approximately \$150,000 per annum) could be disbursed to the former vice president to avoid disclosing outside income to the Social Security Administration. The former vice president pled guilty to social security fraud and was sentenced to 1 year and 6 months incarceration, 3 years probation and ordered to pay restitution in the amount of \$236,000. A criminal investigation into the business practices of COMTEK's president and comptroller is continuing.

Telecommunications Fraud

The OIG continues to be a principal participant in the New York Electronic Crimes Task Force (NYECTF), which has been investigating telecommunications fraud primarily involving Federal facilities within the New York metropolitan area. GSA is the principal provider of telecommunications services for these facilities. Other NYECTF principal participants include the Secret Service, Department of Defense, Department of Justice, New York City Police, and telecommunications industry representatives.

A fraud investigation was initiated when Alltel Communications, Inc. (Alltel) disclosed to members of the NYECTF that an individual was engaged in a fraudulent telecommunications activity known as "social engineering." The investigation found that the individual misrepresented himself as an Alltel customer service representative and fraudulently obtained personal account information from at least 29 separate customer service accounts. After obtaining the victims' account information, he opened additional phone lines and obtained approximately 25 mobile phone handsets under the names of these victims, and had them shipped to his residence. The individual pled guilty to conspiracy to commit mail fraud and aggravated identity theft, and was sentenced to 11 years and 2 months incarceration, 4 years supervisory release and ordered to pay restitution in the amount of \$429,597.

A fraud investigation disclosed that the owner of a T-Mobile dealer and six of his employees were involved in a scheme whereby they fraudulently obtained the identities of T-Mobile cellular telephone customers and then

Promoting and Protecting Integrity

Significant Criminal Actions and Investigations (continued)

used this information to illegally obtain, without the consent or knowledge of the victims, large numbers of mobile handsets from T-Mobile. The owner pled guilty to conspiracy to commit wire fraud, conspiracy to commit mail fraud, and aggravated identity theft, and was sentenced to 7 years incarceration, 4 years supervisory release and ordered to pay restitution in the amount of \$400,000. Of the six employees, two pled guilty to conspiracy to commit mail fraud and are awaiting sentencing; two pled guilty to conspiracy to commit wire fraud and aggravated identity theft and are awaiting sentencing; one pled guilty to wire fraud, fraud with an access device and destruction of records and is awaiting sentencing; and one was sentenced to 1 year deferred prosecution.

In a previously reported fraud investigation involving Money Gram International, the last of eight individuals was sentenced during this reporting period. The investigation disclosed that this individual conspired with seven others to make fraudulent requests to Money Gram for wire transfers of funds to various check-cashing centers. The individual pled guilty to wire fraud and was sentenced to 5 years probation and ordered to pay restitution in the amount of \$30,000.

GSA Contractor Pleads Guilty to Time and Attendance Fraud

**GSA contractor
guilty of altering
documents.**

An investigation was initiated when it was reported that payroll records pertaining to an employee of Strategic Staffing, Inc. (GSA contractor) working at the Foley Square Building appeared to be inaccurate. The investigation disclosed that the employee altered and inflated his time and attendance sheets by changing the hours listed on the sheets that had previously been reviewed and signed by the approving GSA official. He then faxed the altered sheets to the contractor, who obtained reimbursement from GSA. Pursuant to a plea agreement, the employee was charged with making demands against the United States and was sentenced to 2 years probation and ordered to pay restitution in the amount of \$24,510.

Individual Pleads Guilty to Conspiracy and Theft of Government Property

An investigation was initiated when it was reported that a GSA employee was seen stealing property from the Northern Distribution Center (NDC). The employee was seen removing a box of survival knives (valued at \$3,000) from the secured area of the NDC without the proper paperwork. An additional inventory revealed that utility tools and folding knives (valued at \$190,957) were also missing. The investigation revealed that an individual was illegally obtaining these items from the employee and then selling them for his own benefit. He pled guilty to conspiracy and theft of government property and was sentenced to 6 months house arrest, 5 years probation and 250 hours community service, on each count, to be served concurrently. He was also ordered to pay restitution in the amount of \$152,687.

Promoting and Protecting Integrity

Significant Criminal Actions and Investigations (continued)

Contractor employees caught in theft scheme at GSA facility.

GSA Contractor Employees Plead Guilty to Conspiracy and Theft of Government Property

An investigation revealed that 5 former employees of TMI Management Systems, Inc., GSA Eastern Distribution Center (EDC) were stealing government property valued at approximately \$311,000 from the GSA EDC and then selling the property on eBay and at local flea markets. Three of the employees pled guilty to conspiracy and theft of government property. One was sentenced to 6 months imprisonment, 2 years probation, and ordered to pay restitution in the amount of \$311,822. Another was sentenced to 4 months home confinement, 3 years probation, 100 hours of community service, and ordered to pay a fine in the amount of \$1,000. The last employee was sentenced to 1 year imprisonment, 3 years probation and ordered to pay restitution in the amount of \$115,000. Charges are pending for the other two employees.

Public official sentenced for stealing government property.

Former GSA Employee Pleads Guilty to Theft of Government Property

An investigation was initiated when a former GSA employee refused to return his GSA identification and BlackBerry wireless device upon leaving service with GSA. The employee was terminated from GSA for being absent without leave and providing false information in connection with requests for sick leave. Several attempts were made through his attorney to recover the property. Agents executed an arrest warrant and seized the BlackBerry. He pled guilty to theft of government property and was ordered to pay a fine.

GSA Voyager Fleet Charge Card (Fleet Card) Abuse

The GSA OIG has an ongoing proactive investigative project to identify and investigate fraud associated with the misuse of GSA-issued Voyager Fleet charge cards (Fleet cards). During this period, 16 individuals pled guilty, 11 individuals were indicted, and 5 individuals were arrested in connection with cases arising out of Fleet card investigations.

- A joint investigation with the Amtrak OIG and Immigration and Customs Enforcement was initiated when it was reported that a Fleet card issued to an Amtrak employee was being used to make multiple same day fuel purchases. The employee was terminated. Video surveillances captured the fraudulent use of the card by the former employee as well as two gas station attendants. The former employee pled guilty to theft charges and was sentenced to 6 months incarceration and 3 years probation and was ordered to pay \$47,255 in restitution. The attendants both pled guilty to

Promoting and Protecting Integrity

Significant Criminal Actions and Investigations (continued)

theft of government property and are scheduled to be sentenced in November.

- A joint investigation with the Amtrak OIG determined that an Amtrak employee was making unauthorized fuel charges using eight Fleet cards assigned to Amtrak. It was found that multiple same day fuel purchases were made on several Amtrak vehicles leased through the GSA fleet management program. The employee admitted to using the Fleet cards to fuel his own personal vehicle and the vehicles of several acquaintances by accepting cash for half the purchase amount of each fuel transaction. He pled guilty to theft charges and was sentenced to 6 months incarceration, 1 year supervisory release and ordered to pay restitution in the amount of \$16,916.
- An investigation was initiated when it was reported that a Fleet card assigned to a vehicle leased to the Mid-Atlantic Naval Facility was reported stolen. The investigation revealed that the individual who stole the card used it to make multiple, same day purchases of gasoline and then allowed two other individuals use of the card. The individual pled guilty to theft charges and was sentenced to 2 years probation, 10 hours of community service and ordered to pay restitution of \$500 and a fine of \$1,000.
- A joint investigation with a local government determined that an employee of the Naval Air Station Willow Grove (NASWG) used a Fleet card assigned to NASWG to fuel two privately owned vehicles and vehicles owned by other individuals. He pled guilty to theft charges and was sentenced to 2 years probation and ordered to pay a fine in the amount of \$1,374.
- An investigation was initiated when it was reported that an individual was using a Fleet card assigned to a GSA vehicle leased by the U.S. Naval Academy's Public Works Transportation Division to make multiple gas purchases on the same day. He pled guilty to theft charges and was sentenced to 2 years supervised probation and ordered to pay restitution in the amount of \$5,021.
- A joint investigation with the Amtrak OIG determined that a former Amtrak employee was making unauthorized fuel charges using a Fleet card assigned to a GSA vehicle leased by Amtrak. The investigation disclosed multiple same day transactions and fuel purchases in excess of the vehicle's fuel capacity. He pled guilty to theft charges and agreed to pay restitution in the amount of \$3,000.

Promoting and Protecting Integrity

Significant Criminal Actions and Investigations (continued)

- A joint investigation with the Department of Interior OIG determined that a police officer stole a Fleet card assigned to his employer, the Fort Belknap Tribal Police Department in Montana. He made unauthorized fuel charges using the stolen Fleet card for fuel purchases totaling over \$2,265. He pled guilty to theft charges on July 12, 2007. Sentencing is pending.
- An investigation was initiated when it was reported that a Fleet card assigned to the 75th Rangers Regiment, U.S. Army at Fort Lewis, Washington was being used to make multiple same day fuel purchases. Video surveillances captured the fraudulent use of the card by an E-5 sergeant who admitted to using the card to fuel his personal vehicle. The sergeant pled guilty to theft charges and received punishment of a reduction in rank and 45 days confinement.
- An investigation was initiated when it was reported that multiple fuel and miscellaneous purchases were occurring several times a day on a Fleet card assigned to two vehicles leased to the Arizona Army National Guard. Video surveillance captured the fraudulent use of the card by a guardsman, who purchased food, cellular phones, telephone calling cards, and gasoline. He pled guilty to theft of government monies for unauthorized personal purchases and was sentenced on September 6, 2007 to 2 years supervised probation and ordered to pay restitution in the amount of \$25,000.
- An investigation was initiated when it was reported that multiple, same day purchases of gasoline were being made on a Fleet card assigned to the Navy Public Works located in Washington, DC. Video surveillance captured the use of the stolen Fleet card by an individual fueling multiple non-government vehicles. He pled guilty to theft charges and agreed to pay \$17,611 restitution.
- An investigation was initiated when it was reported that multiple fuel charges were being made on a Fleet card assigned to the Marine Air Group, Naval Air Station, Atlanta, Georgia. Video surveillance captured the use of the stolen Fleet card by three individuals. One individual pled guilty to theft charges and fraud and was sentenced to 3 years probation. Another individual pled guilty to theft charges and carrying a concealed weapon, and was sentenced to 1 year incarceration. The other individual was a first-time offender and was placed in a pre-trial diversion program.
- An investigation was initiated when it was reported that there was possible fraudulent use of a Fleet card assigned to the U.S. Army, Fort Lewis, Washington. The investigation found that a private first class used the card to purchase fuel for his personally owned vehicle. He was found in violation of Article 92 (Uniformed Code of Military Justice-Failure to Obey an Order or Regulation) and received 7 days extra duty.

Promoting and Protecting Integrity

Significant Criminal Actions and Investigations (continued)

- An investigation was initiated when it was reported that unleaded fuels and other non-fuel items were being purchased with a Fleet card assigned to a diesel engine vehicle used by the U.S. Army, Fort Lewis, Washington. The investigation found that three individuals were fraudulently using the card. Two of the soldiers pled guilty to unauthorized use of the Fleet card and each forfeited \$1,458 in total salary, while the other soldier had the charges against him dropped because he was being dismissed from duty for drug charges.

Individual Sentenced for Making Counterfeit Fleet Cards

An ongoing investigation by a Federal/State law enforcement task force of fraudulent use of Fleet cards had previously discovered that 10 men used federally-issued cards to fraudulently purchase large amounts of fuel in South Florida. These men were sentenced in a prior reporting period. The last individual involved in this organized scheme produced the counterfeit Fleet cards used to steal and sell the stolen fuel. On June 21, 2007, she was sentenced to 5 years in state prison, 5 years probation and ordered to pay court costs.

Suspension and Debarment Initiative

GSA has a responsibility to ascertain whether the people or companies they do business with are eligible to participate in federally-assisted programs and procurements, and that they are not considered “excluded parties.” Excluded parties are individuals and companies debarred, suspended, proposed for debarment, or declared ineligible to receive contracts by a Federal agency. The Federal Acquisition Regulation authorizes an agency to suspend or debar individuals or companies for the commission of any offense indicating a lack of business integrity or business honesty that directly affects the present responsibility of a government contractor or subcontractor. The OIG has made it a priority to process and forward referrals to GSA, so GSA can timely ensure that the government does not award contracts to individuals or companies that lack business integrity or honesty.

During this reporting period, the OIG made 71 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. GSA issued 47 suspension and debarment actions based on current and previous OIG referrals.

Integrity Awareness

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse and to reinforce employees' roles in helping to ensure the integrity of Agency operations.

Promoting and Protecting Integrity

This period, we presented 33 briefings attended by 648 regional and Central Office employees. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other Federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of successful investigative information.

Hotline

The OIG Hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings encourage employees to use the Hotline. We also use our FraudNet Hotline platform to allow Internet reporting of suspected wrongdoing. During this reporting period, we received 1,407 Hotline contacts. Of these contacts, 219 Hotline cases were initiated. In 117 of these cases, 15 referrals were made to GSA program officials for review and action as appropriate, 38 cases were referred to other Federal agencies for follow up, 44 were referred for OIG criminal/civil investigations or audits, and 20 did not warrant further review.

Governmentwide Policy Activities

We regularly provide advice and assistance on governmentwide policy matters to the Agency, as well as to other Federal agencies and to committees of Congress. In addition, as required by the Inspector General Act of 1978, we review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of the Agency's programs and operations and on the prevention and detection of fraud and mismanagement. Because of the central management role of the Agency in shaping governmentwide policies and programs, most of the legislation and regulations reviewed invariably affect governmentwide issues in areas such as procurement, property management, travel, and government management and information technology systems.

Interagency Committees and Working Groups

We participated on a number of interagency committees and working groups that address cross-cutting and governmentwide issues:

- The Inspector General (IG) is the vice-chair of the National Procurement Fraud Task Force (NPFTF) established by the Department of Justice (DOJ). In addition to DOJ, OIGs and other Federal law enforcement agencies are full participants. The purpose of the task force is to promote the early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other government programs. The task force will focus resources to increase criminal enforcement in areas of procurement fraud having the most substantial impact, such as defective pricing or other irregularities in pricing and formation of contracts, product substitution, false claims, labor mischarging, and accounting fraud. The task force's priority efforts include: identification and prosecution of procurement fraud cases through coordination with U.S. Attorneys' Offices and OIGs, better coordination between agency auditors and investigators to ensure that indicators of fraud are promptly reported to criminal investigators, improved identification and resolution of investigative and coordination issues, and specialized training for OIG agents and auditors on the development and prosecution of procurement fraud cases. The IG also chairs the Information Sharing and Legislation Committees for the NPFTF. The mission of the Information Sharing Committee is to improve the Federal Government's ability to detect, prevent, and prosecute procurement fraud through improved collection, analysis, and sharing of data. The mission of the Legislation Committee is to improve the Federal Government's ability to detect, prevent, and prosecute procurement fraud through legislative modifications and/or changes in policies and practices.
- The IG is a participating member on several committees of the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). These include the Homeland Security Roundtable, the Human Resources Committee, and the Investigations Committee. The focus of the Homeland Security Roundtable was a review of the Federal Government's response to Hurricanes Katrina and

Governmentwide Policy Activities

Rita. The mission of the Human Resources Committee is to provide educational opportunities for members of the PCIE and ECIE communities and to assist in ensuring the development of competent personnel. The purpose of the Investigations Committee is to advise the inspector general community on issues involving investigative functions, establish investigative guidelines, and promote best practices.

- The Assistant Inspector General for Auditing co-chairs the IT Committee under the PCIE Federal Audit Executive Council. This Committee is responsible for leading discussion and reaching consensus among all of the OIGs regarding a myriad of IT issues, including proposed legislation and regulations, OMB questions and reporting requirements, and IT audit approaches and best practices. Further, audit representatives participate in this Committee to develop approaches and techniques for conducting IT security audits under the Federal Information Security Management Act. Additionally, audit representatives participate in the PCIE IT Roundtable, a group that facilitates effective IT audits, evaluations, and investigations by OIGs and provides an OIG perspective on governmentwide IT operations.
- Our TeamMate Technical Support Group participates in the TeamMate Federal Users Group and the PriceWaterhouseCoopers TeamMate Users Group to discuss concerns and new challenges facing TeamMate users. TeamMate is an automated audit paperwork management system that strengthens the audit process and increases efficiency.

Legislation and Regulations

During this reporting period, the OIG reviewed 236 legislative matters and 12 proposed regulations.

Professional Assistance Services

Government Auditing Standards prohibit Federal audit organizations from performing certain types of management consulting projects because they may impair the independence of the auditors when performing subsequent audit work in the same area. To maintain our independence when working closely with GSA management, we carefully assess our services to ensure compliance with the standards. As allowed under the standards, we participate in Agency improvement task forces, committees, and working groups in an observer or advisory capacity.

Task Forces, Committees, and Working Groups. The OIG provides advice and counsel to GSA while monitoring ongoing Agency initiatives. Our representatives advise management at the earliest possible opportunity of potential problems, help ensure that appropriate management controls are provided when installing new or modifying existing Agency systems, and offer possible solutions when addressing complex financial and operational issues.

Our direct participation with the Agency on task forces, committees, and working groups allows us to contribute our expertise and advice, while improving our own familiarity with the Agency's rapidly changing systems. We nevertheless maintain our ability to independently audit and review programs. Our participation on task forces is typically as a nonvoting advisory member.

Some areas in which we have been involved this period include:

- **Multiple Award Schedule Working Group.** The Multiple Award Schedule (MAS) Working Group was established as a result of an OIG report released in August 2001 relating to MAS contracting pricing practices. The Working Group is primarily comprised of members of the Federal Acquisition Service (FAS) and the OIG, with representation also from the Office of the Chief Acquisition Officer. The Working Group has served as an effective institutionalized communications channel for both broad policy issues and discrete issues having to do with particular contracts or reviews.

The Working Group has had several areas of focus, including preaward contract reviews and MAS negotiations issues. The Working Group has developed guidance to MAS contracting officers (COs) regarding the performance and use of preaward MAS contract reviews. Further, the Working Group has reinvigorated the process by which FAS and the OIG collaboratively select and commence preaward reviews of vendors, and has built into this process specific mechanisms for COs to request reviews of particular vendors. The Working Group has focused on issuing guidance to COs regarding negotiation objectives and discrete negotiation issues for MAS contract awards. The Working Group also provided input to FAS in its efforts to upgrade or enhance pricing performance measures on MAS contracts.

Professional Assistance Services

- **GSA IT Governance Groups.** Audit representatives participate as nonvoting members on three of GSA's major IT governance teams and attend meetings. The Information Technology Architecture Planning Committee defines the standards for GSA's information technology in support of business goals and at the direction of the Information Technology Council (ITC). The ITC is comprised of senior IT staff members from the Office of the Chief Information Officer and GSA services, staff offices, and regions to collaboratively explore and determine actions needed to ensure that IT decisions have a sound business and IT investment basis. Senior audit representatives also participate in meetings of the Business Systems Council, a senior management forum chaired by the Deputy Administrator. The Business Systems Council makes decisions regarding major IT investments in conjunction with GSA's Performance Management process, the Human Capital Planning process, the IT Capital Planning and Investment process, and ongoing business process changes for the Agency.
- **Single Audit Act Activities.** The Single Audit Act established uniform audit requirements for state and local governments receiving Federal awards. The non-Federal entities that receive Federal awards under more than one Federal program are required to undergo a single audit to prevent duplicate audits and inefficiencies. Each Federal agency monitors the non-Federal entity's use of awards provided by the Agency, and assesses the quality of the audits conducted relative to its program. The OIG monitors these activities primarily as they relate to the personal property disposal program.

Statistical Summary of OIG Accomplishments

Audit Reports Issued

The OIG issued 64 audit reports during this reporting period. The 64 reports contained financial recommendations totaling \$647,962,590, including \$644,900,875 in recommendations that funds be put to better use and \$3,061,715 in questioned costs. Due to GSA's mission of negotiating contracts for governmentwide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other Federal agencies.

Management Decisions on Audit Reports

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of September 30, 2007. There were no reports more than six months old awaiting management decision as of September 30, 2007. Table 1 does not include one report issued to another agency this period. Table 1 also does not include four reports excluded from the management decision process because they pertain to ongoing investigations.

Table 1. Management Decisions on OIG Audits

	No. of Reports	Reports with Financial Recommendations	Total Financial Recommendations
For which no management decision had been made as of 4/1/07			
Less than six months old	34	24	\$142,697,702
Six or more months old	2	1	1,193,793
Reports issued this period	<u>63</u>	<u>35</u>	<u>647,962,590</u>
TOTAL	99	60	\$791,854,085
For which a management decision was made during the reporting period			
Issued prior periods	36	25	\$143,891,495
Issued current period	<u>29</u>	<u>17</u>	<u>141,973,651</u>
TOTAL	65	42	\$285,865,146
For which no management decision had been made as of 9/30/07			
Less than six months old	34	18	\$505,988,939
Six or more months old	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	34	18	\$505,988,939

Statistical Summary of OIG Accomplishments

Management Decisions on Audit Reports with Financial Recommendations

Tables 2 and 3 present the audits identified in Table 1 as containing financial recommendations by category (funds to be put to better use or questioned costs).

Table 2. Management Decisions on OIG Audits with Recommendations that Funds be Put to Better Use

	No. of Reports	Financial Recommendations
For which no management decision had been made as of 4/1/07		
Less than six months old	22	\$141,899,876
Six or more months old	1	1,193,793
Reports issued this period	29	644,900,875
TOTAL	52	\$787,994,544
For which a management decision was made during the reporting period		
TOTAL	36	\$283,219,752
For which no management decision had been made as of 9/30/07		
Less than six months old	16	\$504,774,792
Six or more months old	0	0
TOTAL	16	\$504,774,792

Statistical Summary of OIG Accomplishments

**Table 3. Management Decisions on OIG Audits
with Questioned Costs**

	No. of Reports	Questioned Costs
For which no management decision had been made as of 4/1/07		
Less than six months old	2	\$ 797,826
Six or more months old	0	0
Reports issued this period	6	3,061,715
TOTAL	8	\$3,859,541
For which a management decision was made during the reporting period		
TOTAL	6	\$2,645,394
For which no management decision had been made as of 9/30/07		
Less than six months old	2	\$1,214,147
Six or more months old	0	0
TOTAL	2	\$1,214,147

Statistical Summary of OIG Accomplishments

Investigative Workload

The OIG opened 110 investigative cases and closed 84 cases during this period. In addition, the OIG received and evaluated 29 complaints and allegations from sources other than the Hotline that involved GSA employees and programs. Based upon our analyses of these complaints and allegations, OIG investigations were not warranted.

Referrals

The OIG makes criminal referrals to the Department of Justice or other authorities for prosecutive consideration and civil referrals to the Civil Division of the Department of Justice or U.S. Attorneys for litigative consideration. The OIG also makes administrative referrals to GSA officials on certain cases disclosing wrongdoing on the part of GSA employees, contractors, or private individuals doing business with the government.

Table 4. Summary of OIG Referrals

Type of Referral	Cases	Subjects
Criminal	41	95
Civil	4	7
Administrative	74	183
TOTAL	119	285

In addition, the OIG made 55 referrals to GSA officials for information purposes only.

Actions on OIG Referrals

Based on these and prior referrals, 32 cases (68 subjects) were accepted for criminal prosecution and 3 cases (7 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 72 indictments/informations and 72 successful prosecutions. OIG civil referrals resulted in 3 case settlements. Based on OIG administrative referrals, management debarred 39 contractors/individuals, suspended 8 contractors/individuals, and took 12 personnel actions against employees.

Statistical Summary of OIG Accomplishments

Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, judgments, and restitutions payable to the U.S. Government as a result of criminal and civil actions arising from OIG referrals.

Table 5. Criminal and Civil Recoveries

	<u>Criminal</u>	<u>Civil</u>
Fines and Penalties	\$ 792,080	\$ —
Settlements	—	6,401,155
Restitutions	3,383,266	—
TOTAL	\$4,175,346	\$6,401,155

Table 6 presents the amount of administrative recoveries, cost avoidance, and investigative savings as a result of investigative activities.

Table 6. Other Monetary Results

Administrative Recoveries	\$169,416
Investigative Savings	<u>9,920</u>
TOTAL	\$179,336

APPENDICES

Appendix I—Significant Audits from Prior Reports

Under the Agency audit management decision process, the GSA Office of the Chief Financial Officer, Office of the Controller, is responsible for tracking the implementation of audit recommendations after a management decision has been reached. That office furnished the following status information.

Thirteen audits highlighted in prior reports to the Congress have not yet been fully implemented; all are being implemented in accordance with currently established milestones.

PBS's Use of Occupancy Agreements as a Billing Source

Period First Reported: October 1, 2006, to March 31, 2007

The focus of the review was to determine whether the occupancy agreements billing process resulted in more accurate, easier to understand customer bills. The report contained two recommendations; they have not been implemented.

One recommendation involves developing and implementing a methodology to provide customers with additional information. The other recommendation involves working with regional management to ensure that customer questions are resolved in a timely manner. They are scheduled for completion on November 15, 2007.

Operational Savings at the Western Distribution Center

Period First Reported: October 1, 2006, to March 31, 2007

The review examined a study to ascertain if the costs and savings identified in a FSS study were valid and whether the study's savings should be used as a basis for similar modernizations. The report contained three recommendations; one has been implemented.

One recommendation involves addressing increasing labor costs relative to declining sales at the Western Distribution Center. The other recommendation involves continuing efforts to reduce transportation costs at the Sharpe Depot. They are scheduled for completion on December 15, 2007.

GSA Fleet's Loss Prevention Program

Period First Reported: October 1, 2006, to March 31, 2007

The review assessed whether loss prevention procedures were working effectively. The report contained two recommendations; they have not been implemented.

One recommendation involves GSA Fleet continuing to develop a centrally coordinated loss prevention program. It is scheduled to be completed on January 15, 2008. The other recommendation involves strengthening procedures for assuring all charges are subject to review. It is scheduled for completion on December 15, 2007.

Hurricane Katrina

Period First Reported: October 1, 2006, to March 31, 2007

The review assessed GSA's effectiveness in its response to Hurricane Katrina. The report contained eight recommendations; three have been implemented.

The remaining recommendations involve establishing guidance and procedures related to emergency contracting, instituting nationwide emergency contracting training, ensuring proper supervision and oversight of contracting personnel supporting FEMA, ensuring regional management program practices are consistent, and examining current billing methodology to ensure costs incurred by GSA to support the Federal Emergency Management Agency (FEMA) can be identified and billed to FEMA. They are scheduled for completion between December 15, 2007, and March 15, 2008.

GSA's Telework Program

Period First Reported: October 1, 2006, to March 31, 2007

The review examined GSA's Telework Program. The report contained four recommendations; they have not been implemented.

The recommendations involve creating a telework program that is consistently administered throughout the organization, developing a tracking system to identify employees participating in the program, reviewing and updating current telework guidance and

Appendix I—Significant Audits from Prior Reports

update as necessary, and ensuring that associates are receiving correct locality pay. The recommendations are scheduled for completion between November 15, 2007, and October 15, 2008.

GSA's Electronic Contract Proposal and Modification System

Period First Reported: October 1, 2006, to March 31, 2007

The review's objective was to determine whether eOffer/eMod are realizing expected benefits and user requirements for the system. The report contained four recommendations; two have not been implemented.

One recommendation involves analyzing usage rates and developing strategies to address the causes of low usage. The other recommendation involves developing or updating the FSS-19 business case. They are scheduled for completion on November 15, 2007.

Overtime Management

Period First Reported: April 1, 2006, to September 30, 2006

The review focused on the management control environment for building operations that frequently incur overtime costs. The report contained three recommendations; two have been implemented.

The remaining recommendation involves redesigning GSA Form 544 as a standard mandatory electronic version with e-signature capabilities. It is scheduled for completion on November 15, 2008.

PBS Environment Management Program

Period First Reported: October 1, 2005, to March 31, 2006

The review found that the scope of the Environment Management Program needs to be expanded, and the database needs several application controls. The report contained ten recommendations; eight have been implemented.

One remaining recommendation involves ensuring that PBS management supervises the environmental liability report. The other recommendation involves

applying a risk-based approach to identify tenants whose activities pose a greater risk to the environment and execute a written agreement with them. They are scheduled for completion on December 15, 2007.

Federal Procurement Data System—Next Generation

Period First Reported: October 1, 2005, to March 31, 2006

The review disclosed that certain contract and system requirements had not been addressed and discrepancies existed in some elements in the system. The report contained three recommendations; two have been implemented.

The remaining recommendation, which requires resolving all data element discrepancies and data migration issues, is scheduled for completion on March 15, 2008.

GSA Advantage!

Period First Reported: April 1, 2005, to September 30, 2005

The review centered on specific shortfalls with GSA Advantage's management funding and planning process. The report contained four recommendations; three have been implemented.

The remaining recommendation involves establishing a management structure with adequate authority and responsibility. It is scheduled for completion on June 15, 2008.

Comprehensive Human Resources Integrated System

Period First Reported: April 1, 2005, to September 30, 2005

The review of the Comprehensive Human Resources Integrated System identified user reluctance to use the system and the availability of duplicative system functionality provided by other GSA systems. The report contained three recommendations; two have been implemented.

The remaining recommendation involves conducting a post-implementation review. It is scheduled for completion on November 15, 2007.

Appendix I—Significant Audits from Prior Reports

Review of FedBizOpps

Period First Reported: April 1, 2004, to September 30, 2004

The review involved an online survey of FedBizOpps users to gather information on user satisfaction to assess the effectiveness of FedBizOpps. The report contained four recommendations; one has been implemented.

The remaining recommendations involve developing a process to solicit input from vendors on system enhancements, evaluating enhancements to FedBizOpps based on vendor input, and ensuring that memoranda of agreement are in place for FedBizOpps

users. The recommendations are scheduled for completion between November 15, 2007, and March 15, 2008.

Consolidation of Distribution Centers

Period First Reported: October 1, 2002, to March 31, 2003

The review examined the operations of the FSS Stock Program. The report contained two recommendations; one has been implemented.

The remaining recommendation, which requires developing access to reliable data for all delivery methods, is scheduled for completion on January 15, 2008.

Appendix II–Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
<i>(Note: Because some audits pertain to contract award or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)</i>				
PBS Internal Audits				
06/11/07	A060232	Review of the Pacific Rim Region, Public Buildings Service, Golden Gate Office		
08/24/07	A060082	Review of Public Buildings Service's Delegations of Authority to Lease Space		
09/13/07	A060170	Review of the Heating Operation and Transmission District's Operations and Finances		
09/17/07	A060101	Alert Report on Procurement Irregularities Associated with the Hiring of Support Staff for the US Marshals Service		
PBS Contract Audits				
04/20/07	A070107	Review of a Claim: Linear Electric Company, Subcontractor to Williams Construction Services, Inc., Lease Number GS-02B-23182		
04/20/07	A070117	Preaward Review of Supplemental Architect and Engineering Services Contract: Gruzen Samton Architects, LLP, Solicitation Number GS-02P-06-DTC-0024(N)		
05/02/07	A070126	Preaward Review of Supplemental Architect and Engineering Services Contract: Wank Adams Slavin Associates, LLP, Solicitation Number GS-02P-06-DTC-0024(N)		
07/31/07	A070193	Preaward Review of Architect and Engineering Services Contract: URS Group, Inc., Solicitation Number GS-05P-04-GBC-0020		

Appendix II–Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
08/22/07	A070192	Preaward Review of Architect & Engineering Services Contract: Cannon Design, Subcontractor to URS Group, Inc., Solicitation Number GS-05P-04-GBC-0020		
08/23/07	A070183	Preaward Review of Architect Engineer Proposal: Perkins + Will, Solicitation Number GS-09P-06-KTC-3043		
08/23/07	A070190	Review of Cost or Pricing Data: Mascaro Construction Company, L.P., Contract Number GS-02P-03-DTC-0010		
08/27/07	A070141	Review of Claim for Increased Costs: Logic Vision, Inc., Contract Number GS-06P-04-GYC-0005		
08/28/07	A060196	Preaward Review of Request for Equitable Adjustment: Tigard Electric, Inc., Subcontractor to J.E. Dunn Northwest, Inc., Contract Number GS-10P-02-LTC-0025		
<i>FSS Internal Audits</i>				
05/17/07	A070067	Review of the Administration of Unused Airline Tickets, Federal Acquisition Service		\$1,516,239
05/21/07	A060153	Review of Federal Supply Service Travel and Transportation Management Division's Freight Management Program		
<i>FSS Contract Audits</i>				
04/09/07	A040240	Limited Postaward Review of Multiple Award Schedule Contract: McNeely Pigott and Fox, Contract Number GS-23F-0072K; January 4, 2000 - December 31, 2004		\$534,922
04/17/07	A060198	Preaward Review of Multiple Award Schedule Contract Extension: United Parcel Service, Inc., Contract Number GS-23F-0282L		

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
04/17/07	A060242	Preaward Review of Multiple Award Schedule Contract Extension: Gateway Companies, Inc., Contract Number GS-35F-4565G		
04/19/07	A070098	Preaward Review of Multiple Award Schedule Contract Extension: Silicon Graphics, Incorporated, Contract Number GS-35F-0325M		
04/20/07	A070068	Preaward Review of Multiple Award Schedule Contract Extension: SRA International, Inc., Contract Number GS-35F-4594G		
04/26/07	A070114	Preaward Review of Multiple Award Schedule Contract Extension: Scott Technologies, Incorporated, Contract Number GS-07F-9563G		
04/30/07	A060245	Preaward Review of Multiple Award Schedule Contract Extension: Comstor, Division of Westcon Group North America, Inc., Contract Number GS-35F-4389G		
05/03/07	A070036	Preaward Review of Multiple Award Schedule Contract Extension: ASAP Software Express, Inc., Contract Number GS-35F-4027D		
05/03/07	A060097	Preaward Review of Multiple Award Schedule Contract Extension: Accenture LLP, Contract Number GS-10F-0246L		
05/03/07	A060177	Preaward Review of Multiple Award Schedule Contract Extension: Logistics Management Institute, Contract Number GS-00F-0026M		
05/14/07	A070047	Limited Scope Review of Multiple Award Schedule Contract: Draegar Safety, Inc., Contract Number GS-07F-9510G		\$60,590
05/21/07	A070051	Preaward Review of Multiple Award Schedule Contract Extension: BUCON, Inc., Contract Number GS-07F-9665G		

Appendix II–Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
07/09/07	A060210	Preaward Review of Multiple Award Schedule Contract Extension: Softchoice Corporation, Contract Number GS-35F-0196M		
07/24/07	A060161	Preaward Review of Multiple Award Schedule Contract Extension: Canon U.S.A., Inc., Contract Number GS-25F-0023M		
09/27/07	A060239	Preaward Review of Multiple Award Schedule Contract Extension: Emtec Federal, Inc., Contract Number GS-35F-4564G		
<i>FTS Contract Audits</i>				
04/30/07	A070110	Preaward Review of a Claim: MCS of Tampa, Incorporated, Contract Number GS-06F-0089Z, Task Order Number TSX00050003		
04/30/07	A050256	Preaward Review of a Claim: Computer Intelligence Squared, Inc., Contract Number GS-00K-97-AFA-0001		
<i>FAS Internal Audits</i>				
07/31/07	A060190	Review of Multiple Award Schedule Program Contract Workload Management		
09/12/07	A070108	FY 2007 Office of Inspector General Information Technology Security Audit of the Fleet Management System		
<i>FAS Contract Audits</i>				
05/31/07	A070044	Report on the Audit of Termination for Convenience: IBM Global Business Services - Public Sector/ Federal, Subcontract Number ITS/EPA-IBM-02-0001		\$6,447

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
06/01/07	A070012	Preaward Review of Multiple Award Schedule Contract Extension: Eaton Electrical, Inc., Contract Number GS-07F-9460G		
06/06/07	A070072	Preaward Review of Multiple Award Schedule Contract Extension: Megabyte International Corporation, Contract Number GS-35F-0655M		
07/05/07	A070088	Preaward Review of Multiple Award Schedule Contract Extension: Big Top Manufacturing; Contract Number GS-07F-9604G		
07/25/07	A070148	Preaward Review of Multiple Award Schedule Contract Extension: Sumaria Systems, Inc., Contract Number GS-35F-4818G		
07/26/07	A070143	Preaward Review of Multiple Award Schedule Contract Extension: Council for Logistics Research, Incorporated, Contract Number GS-00F-0001P		
07/31/07	A060247	Preaward Review of Multiple Award Schedule Contract Extension: AT&T Government Solutions, Inc., Contract Number GS-35F-4507G		
07/31/07	A070160	Preaward Review of Multiple Award Schedule Contract Extension: Complete Packaging and Shipping Supplies, Inc., Contract Number GS-14F-0039M		
08/16/07	A070092	Preaward Review of Multiple Award Schedule Contract Extension: Simplex Grinnell LP, Contract Number GS-07F-0396M		
08/20/07	A070077	Preaward Review of Multiple Award Schedule Contract Extension: Reed Elsevier, Inc., Contract Number GS-02F-0048M		

Appendix II–Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
08/28/07	A070169	Preaward Review of Multiple Award Schedule Contract Extension: Remotec, Inc.; Contract Number GS-07F-0538M		
08/30/07	A060182	Review of Multiple Award Schedule Contract Number GS-35F-0559J for the Period June 29, 1999 to January 28, 2005: Overwatch Textron Systems, Tactical Operations		\$679,225
09/11/07	A070097	Preaward Review of Multiple Award Schedule Contract Extension: EMC Corporation-EMC2 MicrosoftPractice, Contract Number GS-35F-0283M		
09/12/07	A070125	Preaward Review of Multiple Award Schedule Contract Extension: Cartus Corporation, Contract Number GS-23F-9762H		
09/12/07	A070142	Preaward Review of Multiple Award Schedule Contract Extension: Dynamics Research Corporation, Contract Number GS-35F-4775G		
09/13/07	A070159	Preaward Review of Multiple Award Schedule Contract Extension: DHS Systems, LLC, Contract Number GS-07F-8645C		
09/18/07	A060160	Limited Scope Review of Multiple Award Schedule Contract Number GS-25F-0062L for the Period April 1, 2004 to September 30, 2006: Xerox Corporation		\$87,807
09/18/07	A070152	Preaward Review of Multiple Award Schedule Contract Extension: MPRI, Inc., Contract Number GS-10F-0256M		
09/21/07	A060247	Limited Scope Review of Multiple Award Schedule Contract Number GS-35F-4507G for the Period January 1, 2003 Through December 31, 2006: AT&T Government Solutions, Inc.		\$182,932

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
09/25/07	A070024	Preaward Review of Multiple Award Schedule Contract Extension: Dell Marketing L.P., Contract Number GS-35F-4076D		
Other Internal Audits				
06/05/07	A060152	Controls over FECA Compensation and Medical Benefits Expense		
07/12/07	A070082	Review of GSA's Implementation of OMB Circular A-123, Appendix A		
07/31/07	A070108	FY 2007 Office of Inspector General Information Technology Security Audit of the Region 8 FTS LAN		
08/01/07	A070108	FY 2007 Office of Inspector General Information Technology Security Audit of the Region 8 PBS LAN		
08/13/07	A060195	Review of the Implementation of Homeland Security Presidential Directive 12		
08/28/07	A070108	FY 2007 Office of Inspector General Information Technology Security Audit of GSAjobs		
09/12/07	A070180	Alert Report on Security of GSA's Electronic Messaging Services and National Notes Infrastructure		
09/17/07	A070108	FY 2007 Office of Inspector General FISMA Review of GSA's Information Technology Security Program		

Appendix II–Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
09/27/07	A070136	Internal Controls Over Payroll - FY 2007		
<i>Non-GSA Audits</i>				
07/03/07	A060243	Review of Del Amo Reimbursement Request: Shell Oil Company		

Appendix III—Audit Reports over 12 Months Old, Final Agency Action Pending

Public Law 104-106 requires the head of a Federal agency to complete final action on each management decision required with regard to a recommendation in an Inspector General's report within 12 months after the date of the report. If the head of the Agency fails to complete final action within the 12-month period, the Inspector General shall identify the matter in the semiannual report until final action is complete.

In GSA, the Office of the Chief Financial Officer (OCFO) is responsible for monitoring and tracking open recommendations. While we continue to assist the Agency in resolving these open items, various litigative proceedings, continuing negotiations of contract proposals, and corrective actions needed to undertake complex and often phased-in implementing actions often delay timely completion of the final action.

The OCFO provided the following list of reports with action items open beyond 12 months:

Date of Report	Audit Number	Title
Contract Audits		
08/05/97	A73617	Refund From The Committee For Purchase From People Who Are Blind Or Severely Disabled, Agreement Number GS-02F-61511
05/27/98	A42146	Postaward Audit of Multiple Award Schedule Contract: Haworth, Incorporated, Contract Number GS-00F-07010
06/17/98	A82441	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0010
03/24/99	A995128	Preaward Audit of Cost or Pricing Data: Sachs Electric Company, Subcontractor to Morse Diesel International, Inc., Contract Number GS-06P-95-GZC-0501
06/24/99	A995231	Audit of Small Business Subcontracting Plan: Rael Automatic Sprinkler Company, GS-02P-95-DTC-0041(N)
06/01/00	A000971	Audit of Claims for Increased Costs: Midwest Curtainwalls, Inc., The Federal Triangle Project
04/30/01	A010127	Audit of Billings under Contract Number GS-06P-99-GZC-0315: DKW Construction, Inc.
10/18/01	A63630	Postaward Audit of Multiple Award Schedule Contract: The Presidio Corporation, Contract Number GS00K-95-AGS-6170, Contract Period April 1, 1995 through March 31, 1996
10/31/01	A010265	Preaward Audit of Architect and Engineering Services Contract: HNTB District of Columbia Architecture, P.C., Solicitation Number GS-11P-00-MQC-0041
01/11/02	A010281	Preaward Audit of a Claim for Increased Costs: Lawson Mechanical Contractors, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
05/16/02	A020115	Limited Scope Audit of a Termination Claim: Patriot Group Contractors, Inc., Contract Number GS-11P-99-MAC-0006

Appendix III–Audit Reports over 12 Months Old, Final Agency Action Pending

Date of Report	Audit Number	Title
05/29/02	A020124	Preaward Audit of a Claim for Increased Costs: Res-Com Insulation, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
06/12/02	A020097	Preaward Audit of a Claim for Increased Costs: Artisans G & H Fixtures, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
07/16/02	A020191	Preaward Audit of Supplemental Architect and Engineering Contract: McMullan & Associates, Inc., Solicitation Number GS-11P-01-YTD-0319
07/30/02	A020086	Preaward Audit of a Claim for Increased Costs: Raymond Interior Systems North, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
09/04/02	A020180	Preaward Audit of Architect and Engineering Services Contract: Adtek Engineering, Inc., Solicitation Number GS-11P-01-YTD-0319
09/24/02	A020196	Preaward Audit of Architect and Engineering Services Contract: BEI Structural Engineers, Inc., Solicitation Number GS-11P-01-YTD-0319
10/02/02	A020178	Preaward Audit of Multiple Award Schedule Contract Modification: Motorola, Inc., GSA Contract Number GS-35F-0004L
11/20/02	A010279	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
01/30/03	A020248	Audit of Claim for Increased Costs: Doan/Lake Erie LLC, Contract Number GS-05P-99-GBC-0012
03/21/03	A020133	Preaward Audit of a Claim for Increased Costs: Cosco Fire Protection, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
03/25/03	A030140	Limited Scope Review of Termination Claim: Science Applications International Corporation, Contract Number GS-35F-4461G, Task Order Number T0002SJ0159
05/02/03	A030106	Preaward Audit of a Claim for Increased Costs: George Foss Company, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
05/29/03	A020230	Preaward Audit of a Claim for Increased Costs: C. E. Toland & Son, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032

Appendix III—Audit Reports over 12 Months Old, Final Agency Action Pending

Date of Report	Audit Number	Title
06/02/03	A030138	Audit of Claim for Increased Costs: Hunt Construction Group, Inc., Contract Number GS-05P-96-GBC-0015
07/02/03	A030163	Preaward Audit of Multiple Award Schedule Contract Extension: Information Network Systems, Inc., Contract Number GS-35F-5002H
08/08/03	A030177	Review of Incurred Costs: Jacobs Facilities, Inc., Contract Number GS-11P-98-MYD-0015
12/17/03	A030168	Preaward Audit of Multiple Award Schedule Contract: Dynamic Systems, Inc., Solicitation Number FCIS-JB-980001B
12/17/03	A040001	Preaward Audit of Multiple Award Schedule Contract: Concord Communications, Incorporated, Solicitation Number FCIS-JB-980001B
01/12/04	A040098	Preaward Audit of Supplemental Architect and Engineering Services Contract: Gonzalez Hasbrouck, Inc., Solicitation Number GS-05P-03-GBD-0072
02/03/04	A040119	Attestation Review of Supplemental Architect and Engineering Services Contract: Julie Snow Architects, Inc., Solicitation Number GS-05P-03-GBD-0072
03/09/04	A040162	Price Adjustments on Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Interim Period April 1, 2004 Through September 30, 2006
03/09/04	A030186	Postaward Audit of Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Contract Period December 12, 1996 Through October 31, 2003
06/09/04	A040095	Preaward Audit of a Termination Settlement Proposal: M.L. Benjamin Enterprises, Inc., Contract Number GS-02P-00P-VC-0024
06/15/04	A040095	Audit of Final Contract Payment: M.L. Benjamin Enterprises, Inc., Contract Number GS-02P-00P-VC-0024
06/28/04	A040085	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Onboard Software, Inc., Contract Number GS-35F-0117J
10/29/04	A040211	Preaward Review of Multiple Award Schedule Contract Extension: Allsteel Inc., Contract Number GS-28F-0010J
05/10/05	A050112	Preaward Review of Multiple Award Schedule Contract Extension: Entrust, Inc., Contract Number GS-35F-0332K
06/17/05	A050100	Preaward Review of Multiple Award Schedule Contract Extension: Technical and Management Services Corporation, Contract Number GS-00F-0020L

Appendix III—Audit Reports over 12 Months Old, Final Agency Action Pending

Date of Report	Audit Number	Title
07/08/05	A050007	Preaward Review of Multiple Award Schedule Contract Extension: Network Equipment Technologies Federal, Inc., Contract Number GS-35F-0205K
07/08/05	A050138	Review of Claim: Nason and Cullen, Inc., Contract Number GS-03B-02301
08/15/05	A050157	Review of Termination Settlement Proposal: CompuCom Federal Systems, Inc., Contract Number GS-00K-97-AFD-2226
09/07/05	A050125	Preaward Review of Multiple Award Schedule Contract Extension: Steelcase, Incorporated, Contract Number GS-28F-8021H
09/12/05	A050151	Preaward Review of Multiple Award Schedule Contract Extension: Global Computer Enterprises, Inc., Contract Number GS-35F-0426K
10/27/05	A050089	Limited Scope Review of Multiple Award Schedule Contract: Hill-Rom Company, Inc., Contract Number GS-27F-3002D
10/12/05	A050105	Preaward Review of Multiple Award Schedule Contract Extension: BCOP Federal, Contract Number GS-14F-0035K
11/30/05	A050147	Limited Scope Review of Task Order F11623-02-F-A425 Multiple Award Schedule Contract: Herman Miller, Inc., Contract GS-28F-8049H
12/30/05	A050176	Preaward Review of Multiple Award Schedule Contract Extension: E.F. Johnson Company, Contract Number GS-35F-0675K
01/05/06	A050247	Preaward Review of Price Adjustment Claim: Lockheed Martin Information Technology, Task Order Number 103BK0034, Contract Number GS-35F-4039G
01/26/06	A050122	Preaward Review of Multiple Award Schedule Contract Extension: Fastenal Company, Contract Number GS-06F-0039K
03/16/06	A050233	Preaward Review of Multiple Award Schedule Contract Extension: Nortel Networks, Inc., Contract Number GS-35F-0140L
03/30/06	A050248	Postaward Review of Lease Costs and Pricing Data: Information Systems Support, Incorporated, Contract Number GS-09K-BHD-0006
04/18/06	A050122	Review of Industrial Funding Fee Remittances: Fastenal Company, Contract Number GS-06F-0039K
04/25/06	A050265	Preaward Review of Multiple Award Schedule Contract Extension: Lawson Products, Inc., Contract Number GS-06F-0027L
05/09/06	A050180	Preaward Review of Multiple Award Schedule Contract Extension: Office Depot, Incorporated, Contract Number GS-14F-0040K

Appendix III—Audit Reports over 12 Months Old, Final Agency Action Pending

Date of Report	Audit Number	Title
05/19/06	A060083	Preaward Review of Multiple Award Schedule Contract Extension: Information Manufacturing Corporation, Contract Number GS-25F-0032L
06/08/06	A050251	Preaward Review of Multiple Award Schedule Contract Extension: ARES Corporation, Contract Number GS-23F-0113L
06/12/06	A060099	Preaward Review of Multiple Award Schedule Contract Extension: Criticom, Inc., Contract Number GS-35F-0272L
06/22/06	A060154	Preaward Review of Multiple Award Schedule Contract Extension: Pierce Manufacturing Inc., Contract Number GS-30F-1045D
07/19/06	A060100	Preaward Review of Multiple Award Schedule Contract Extension: The Gallup Organization, Contract Number GS-00F-0078M
07/20/06	A060062	Preaward Review of Multiple Award Schedule Contract Extension: Agilent Technologies, Inc., Contract Number GS-26F-5944A
07/25/06	A060146	Preaward Review of Multiple Award Schedule Contract Extension: Xitech Corporation, Contract Number GS-35F-0244L
07/27/06	A060063	Preaward Review of Multiple Award Schedule Contract Extension: EMC Corporation, Contract Number GS-35F-0088K
08/09/06	A050204	Preaward Review of Multiple Award Schedule Contract Extension: Plantronics, Incorporated, Contract Number GS-35F-0167L
08/14/06	A060093	Preaward Review of Multiple Award Schedule Contract Extension: WFI Government Services, Inc., Contract Number GS-23F-0215L
08/15/06	A060127	Preaward Review of Multiple Award Schedule Contract Extension May 7, 2006 Through May 6, 2011: W.B. Brawley Company, Contract Number GS-27F-0018L
09/07/06	A060181	Preaward Review of Multiple Award Schedule Contract Extension: Haverstick Government Solutions, Inc., Contract Number GS-35F-0496L
09/13/06	A060231	Preaward Review of Architect and Engineering Services Contract: Teng & Associates, Inc., Contract Number GS-01P-06-BZC-0004
09/25/06	A060215	Preaward Review of Multiple Award Schedule Contract Modification: SAP Public Services, Inc., Contract Number GS-35F-5891H

Appendix III–Audit Reports over 12 Months Old, Final Agency Action Pending

Date of Report	Audit Number	Title	Projected Final Action Date
<i>Internal Audits</i>			
03/18/03	A020161	Audit of the Consolidation of Distribution Center Operations: Impact on Shipment Costs & Delivery Times	01/15/2008
08/05/04	A020245	Review of FedBizOpps	03/15/2008
05/03/05	A040109	Audit of the General Services Administration's Fiscal Years 2004 and 2003 Financial Statements	Open
09/29/05	A040246	Review of the GSA Advantage! System	06/15/2008
09/30/05	A040142	Strategic Challenges for GSA's Comprehensive Human Resources Integrated System (CHRIS)	11/15/2007
03/28/06	A050040	Review of the PBS Environment Program Management	12/15/2007
03/30/06	A040127	Review of the Federal Procurement Data System - Next Generation (FPDS-NG)	03/15/2008
04/19/06	A050130	Review of Overtime Management Controls in GSA Public Buildings Service, National Capital Region	11/15/2008

Appendix IV—Delinquent Debts

The GSA Office of the Chief Financial Officer provided the following information.

During the period April 1, 2007 through September 30, 2007, the following activities were undertaken by GSA in an effort to improve debt collection and reduce the amount of debt written off as uncollectible.

- From April 1, 2007 to September 30, 2007, the GSA Finance Centers referred \$642,519 delinquent non-Federal claims to the U.S. Department of the Treasury (Treasury) for cross-servicing collection activities. Collections on non-Federal claims exceeded \$9.4 million. Administrative offsets have resulted in additional collections of \$4.5 million. GSA also collects non-Federal claims using Pre-Authorized Debits (PAD). From April 1, 2007 to September 30, 2007, PADs totaling \$39,073 were processed.
- To comply with the Debt Collection Improvement Act of 1996 (DCIA), the General Services Administration (GSA) transmits delinquent accounts receivable and claims over 180 days old monthly to the Department of the Treasury, Debt Management Service (DMS) for collection. GSA has continued to implement and initiate actions to improve debt collection efforts to reduce the amount of debts written-off as uncollectible.
- Coordination between Treasury Cross-Servicing personnel, regional contracting officers, realty specialists and GSA associates continues to strengthen our receivable and claim collection

efforts. These efforts included regular teleconferences on delinquent receivables in order to exchange necessary information to further the collection process. Receivables and claims continue to be reduced by prompt monthly follow-up on delinquencies. In addition, delinquent debts and aged receivable reports are sent to field office personnel and regional management on a monthly basis. Aged receivable reports over 120 days are elevated to regional financial officers, regional business managers and the Assistant Regional Administrators for further action.

- The Profit Recovery Group, through a contract arrangement with GSA, continues to actively review and pursue overpayments with our Accounts Payable Division. Delinquent receivables for the non-governmental entities are forwarded to Treasury for offset/collection. This action has improved GSA's collections from the District of Columbia (DC) government and the tribal organization.
- GSA performance measurement goal is to reduce delinquent accounts receivables over one year old. Action plans to reach this goal have been developed, and progress is being monitored on a monthly, quarterly, and yearly basis. This goal and the development of related plans have had a positive impact on GSA's efforts to improve our debt collection practices.

Non-Federal Accounts Receivable

	As of April 1, 2007	As of September 30, 2007	Difference
Total Amounts Due GSA	\$142,226,646	\$145,177,906	\$2,951,260
Amounts Delinquent	\$11,400,858	\$11,089,689	(\$311,169)
Total Amount Written Off as Uncollectible Between 4/1/07 and 9/30/07	\$815,033		

Appendix V—Reporting Requirements

The table below cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information requested by the

Congress in Senate Report No. 96-829 relative to the 1980 Supplemental Appropriations and Rescission Bill and the National Defense Authorization Act is also cross-referenced to the appropriate page of the report.

Requirement	Page
Inspector General Act	
Section 4(a)(2) – Review of Legislation and Regulations	36
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies.	2, 23
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	2, 23
Section 5(a)(3) – Prior Recommendations Not Yet Implemented	47
Section 5(a)(4) – Matters Referred to Prosecutive Authorities.	42
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused.	None
Section 5(a)(6) – List of Audit Reports.	50
Section 5(a)(7) – Summary of Each Particularly Significant Report.	2, 23
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs	41
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	40
Section 5(a)(11) – Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12) – Information on Any Significant Management Decisions with Which the Inspector General Disagrees.	None
Senate Report No. 96-829	
Resolution of Audits	39
Delinquent Debts	64
National Defense Authorization Act, Public Law 104-106, 5 U.S.C. App. 3, § 5 note	58

Appendix VI—OIG Offices and Key Officials

Office of the Inspector General

Inspector General, Brian D. Miller (J)(202) 501-0450
Deputy Inspector General, Robert M. Samuels (Acting) (JD)(202) 501-0450
Advisor, Robert M. Samuels (JX)(202) 501-0450

Office of Counsel to the Inspector General

Counsel to the IG, Kevin A. Buford (JC)(202) 501-1932
Deputy Counsel to the IG, Virginia S. Grebasch (JCD)(202) 501-1932

Office of Internal Evaluation and Analysis

Director, Peter J. Coniglio (JE)(202) 501-2460

Office of Audits

Assistant IG for Auditing, Andrew Patchan, Jr. (JA)(202) 501-0374
Principal Deputy Assistant IG for Auditing, Vacant (JAD)(202) 501-0374

Deputy Assistant Inspectors General for Auditing

Information Technology Audit Office, Gwendolyn A. McGowan (JA-T)(703) 308-1223
Real Property Audit Office, Rolando N. Goco (JA-R)(202) 219-0088
Finance & Administrative Audit Office, Jeffrey C. Womack (JA-F)(202) 501-0006
Acquisition Programs Audit Office, Kenneth L. Crompton (JA-A)(703) 603-0189
Contract Audit Office, James M. Corcoran (JA-C)(617) 565-6795

Regional Inspectors General for Auditing

National Capital Region Field Office, Paul J. Malatino (JA-W)(202) 708-5340
Northeast and Caribbean Field Office, Howard R. Schenker (Acting) (JA-2)(212) 264-8620
Mid-Atlantic Field Office, Glenn D. Merski (JA-3)(215) 446-4840
Southeast Sunbelt Field Office, James D. Duerre (JA-4)(404) 331-5125
Great Lakes Field Office, David K. Stone (JA-5)(312) 353-7781

Appendix VI—OIG Offices and Key Officials

Regional Inspectors General for Auditing (*continued*)

The Heartland Field Office, Arthur L. Elkin (JA-6)	(816) 926-7052
Greater Southwest Field Office, Rodney J. Hansen (JA-7)	(817) 978-2572
Pacific Rim Field Office, James P. Hayes (JA-9)	(415) 522-2744

Office of Investigations

Assistant IG for Investigations, Charles J. Augone (JI)	(202) 501-1397
Deputy Assistant IG for Investigations, Gregory G. Rowe (JID)	(202) 501-1397

Special Agents in Charge (SAC)

Mid Atlantic Regional Office, SAC Randal A. Stewart (JI-W)	(202) 252-0008
Philadelphia Resident Office, Assistant SAC James E. Adams (JI-3)	(215) 446-4830
Northeast and Caribbean Regional Office, SAC Daniel J. Walsh (JI-2)	(212) 264-7300
Boston Resident Office, Assistant SAC Luis A. Hernandez (JI-1)	(617) 565-6820
Southeast Regional Office, SAC Lee P. Quintyne (JI-4)	(404) 331-5126
Central Regional Office, SAC Harvey G. Florian (JI-5)	(312) 353-7779
Mid West Regional Office, SAC John F. Kolze (JI-6)	(816) 926-7214
Southwest Regional Office, SAC Paul W. Walton (JI-7)	(817) 978-2589
Western Regional Office, SAC Liza Ivins (JI-9)	(415) 522-2755
Northwest Regional Office, SAC Terry J. Pfeifer (JI-10)	(253) 931-7654

Office of Administration

Assistant IG for Administration, Carolyn Presley-Doss (Acting) (JP)	(202) 501-4638
Budget, Planning, and Financial Management Division, Director, Kristin Sneed (JPB)	(202) 208-4198
Facilities and Contracts Division, Director Marta M. Viera (JPFC)	(202) 501-2887
Human Resources Division, Director Joyce Folsom (Acting) (JPH)	(202) 501-0360
Information Technology Division, Director Margaret A. Hamilton (JPM)	(202) 501-3134

Notes

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Washington, DC 20405

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